

COLLOCATION AGREEMENT PROCESS

March 16, 2001

FINAL DRAFT FOR PILOT

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Collocation Agreement Process FINAL DRAFT for PILOT

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Executive Summary

As EDD fulfills its responsibility to deliver Job Service (JS) as required by the Workforce Investment Act (WIA), EDD will become a part of WIA One-Stop center systems throughout California. This means that JS staff will be coordinating service delivery with other mandated partners and the Local Workforce Investment Boards (LWIB) through a Memorandum of Understanding (MOU). EDD will be collocated with the other partners at the WIA One-Stop centers and be entering facility lease agreements. EDD will also be pooling some operational costs for which EDD will pay its fair share. The attached diagram illustrates how EDD will roll out these partnerships in the WIA One-Stop centers.

It is the policy of EDD that written agreements be executed to cover all locations in which we provide services in a partner's premises, and all locations in which a partner provides services in EDD premises. This policy applies to the WIA One-Stop centers. The Collocation Agreement Process guide is intended to provide guidance to EDD managers, administrators, and staff that are involved in developing and executing these agreements. The guide covers policy, definitions, roles and responsibilities, parameters, the negotiation process, written agreements, calculating each partner's share of pooled costs, and cost allocation.

As EDD's representatives and negotiators, your objective is to achieve a "win-win" result by focusing on fairness and the benefit of the overall project, not on "making it work" at EDD's expense or on "getting the best deal" for EDD at the partners' expense. The guide will assist in attaining this objective and in complying with the applicable regulations. The products of negotiations will be written agreements and a positive foundation for a continued cooperative partnership.

Individuals will be held responsible for striving to achieve a fair and equitable relationship with the partners, and accountable for following the process contained within this document.

In keeping with our objective of formulating agreements that both benefit EDD and its partners and complies with policies, practices, laws and regulations, EDD negotiation representatives should keep the following in mind.

- Do not enter into verbal agreements. Verbal agreements provide no legal protections for EDD and are not recognized by the State as a "contract".*
- Use traditional accounting methods for cost allocation. There are numerous methods for accounting and partners may propose a method that is not acceptable to EDD. To avoid issues and use of additional resources, it is preferred that EDD use traditional accounting methods. Appendix F details methodologies for calculating and allocating pooled costs.*
- Limit pooled costs to items with a value greater than \$1,000. This will eliminate some of the cumbersome and resource intensive tracking and accounting associated with pooled costs.*
- Consult with the Operations and/or Administration Branch Deputy Director for guidance before considering sharing staff and/or pooling staff costs.*

The Collocation Agreement Process is your tool for making EDD's participation in WIA One-Stop centers successful. Since the expertise for entering into agreements does

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not reside within any single area of EDD, successes will be dependent upon EDD staff working collaboratively as a team. Following are two high level diagrams of the agreement process and roles and timelines. The main body of the document also contains more details regarding the technical supporting roles and responsibilities and a contact directory for assistance.

*Questions regarding the material contained in the Collocation Agreement Process document may be directed to us at **rgarcia@edd.ca.gov** or **fcollins@edd.ca.gov**.*

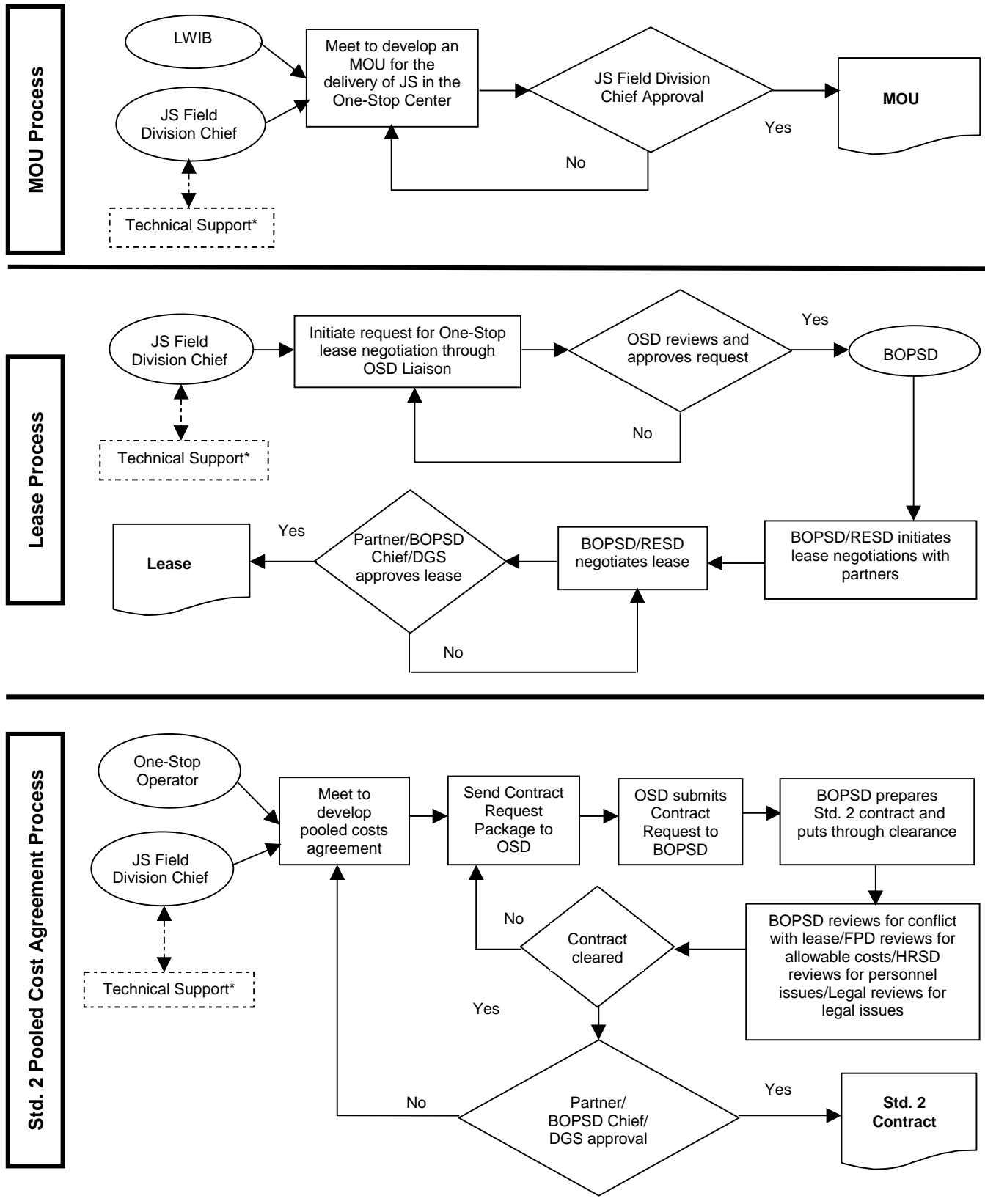
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WIA One-Stop Collocation Agreement Processes

The collocation agreement three-pronged process—MOU, lease, and Std. 2.—is depicted in the three diagrams below. The roles and high level process for each are represented.

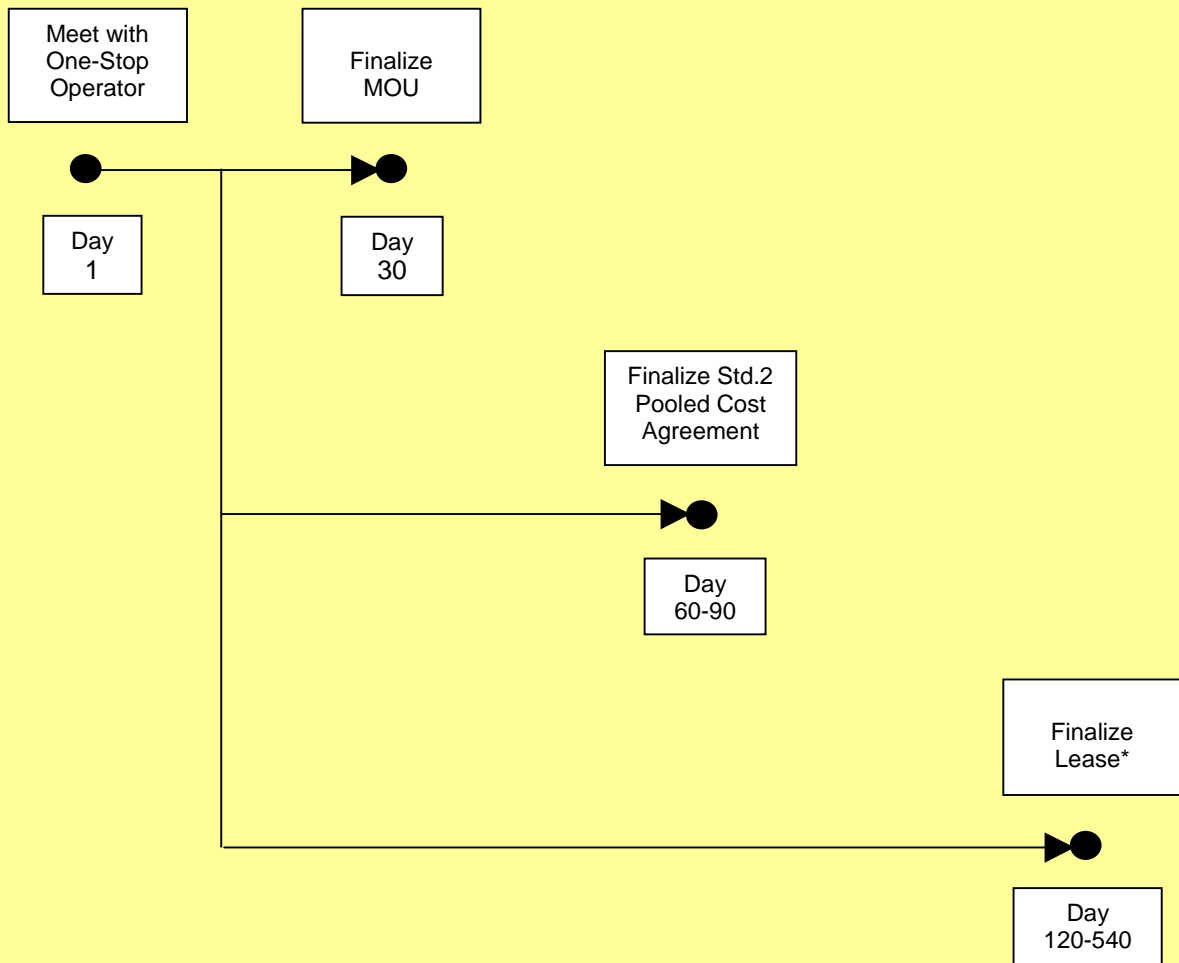


*Technical Support : OSD – Primary; BOPSD; DPD; Fiscal; HRSD; Legal

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Collocation Agreement Process Timeline

The three collocation agreement processes in the One-Stop scenario begin at approximately the same time, with each agreement's finalization varying. Below is a typical timeline for the collocation agreements.



* The minimum number of days assumes that the lease is an EDD delegated lease and that there are no delays in the process. The maximum number of days includes a site search. The length of the leasing process is determined by the need for a site search, space planning, changes such as number of staff, or a change in the space configuration; building inspection/certification; approval delays, or contract language disagreements.

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I. Purpose

The purpose of this document is to establish a process for handling contractual and fiscal agreements between the Employment Development Department (EDD) and One-Stop partners so that they meet fiscal, contractual, and legal requirements. This document replaces the *Partnership Pooled Costs: Who Pays For What* guide in its entirety. The Operations Branch and Administration Branch staff who are responsible for entering into One-Stop center agreements will use this document as their guide.

II. Background

With the implementation of the Workforce Investment Act (WIA) of 1998, the EDD, as a required WIA partner, will enter into One-Stop center agreements. Federal regulations state that under WIA, One-Stop center partners and the Local Workforce Investment Boards (LWIB) must enter into a Memorandum of Understanding (MOU) which contains provisions describing:

- the services to be provided through the one-stop delivery system;
- how costs of services and operating the system will be funded;
- methods for referral of individuals between the One-Stop operator and the One-Stop partners, for appropriate services and activities;
- the duration and procedures for amending the MOU; and
- such other provisions as the parties determine to be appropriate.

In California, an MOU is recognized as a non-financial document. As a One-Stop center partner, EDD is required to enter into financial agreements that address collocation aspects of the One-Stop center partnering relationship, such as leasing space in the One-Stop center and/or sharing costs with the other One-Stop partners. These agreements will be contained in documents other than the MOU and that are recognized in California as financially binding contracts.

III. The Collocation Agreement Approach

A typical One-Stop center agreement scenario includes required One-Stop partners meeting with the LWIB to develop an MOU that details the partners' roles in the One-Stop center and the program service elements that the partners will deliver. Partners also negotiate a lease agreement for occupying space in the One-Stop center and agreements for sharing pooled costs not incidental to a lease, such as shared equipment and janitorial services. Conceivably, all of these elements could be in one agreement, and for some states that is the case. In California, state agencies do not recognize the MOU as a financially binding agreement. State agencies must use the State's required contractual vehicles for financial agreements, namely, a Standard Agreement (Std. 2) for the exchange of money and a Standard Lease/Sublease for leasing space in non-state owned buildings.

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Hence, as a partner in a WIA One-Stop center, EDD will enter into a number of agreements—an MOU for program service delivery; a Standard Lease/Sublease to occupy space at the One-Stop center site; and a Std. 2 for other pooled costs associated with collocation. This approach addresses the many contractual facets of One-Stop center partnering in a manner that is legally binding, meets State contracting codes, and adheres to Department of Labor standards. The multi-agreement approach also creates agreements that are mutually exclusive. Mutually exclusive agreements facilitate the contract amendment process by allowing one document to be changed without having to change the other agreements. For example, EDD would not want to renegotiate a five-year lease because additional connectivity (ports) was going to be added in pooled costs. Since data connectivity would be covered under a Std. 2, only that agreement would have to be amended and the lease could remain intact.

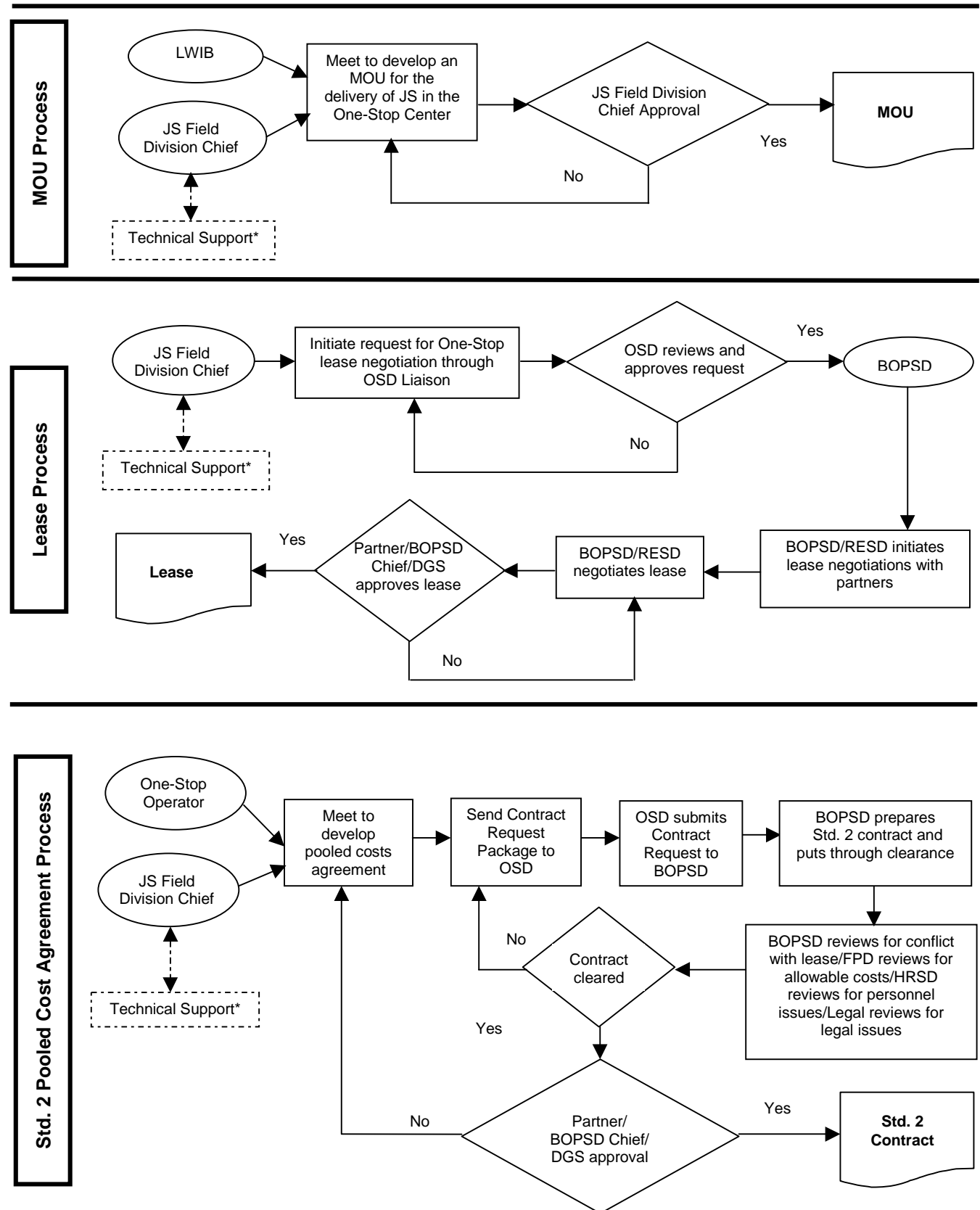
Within EDD, the Operations Branch and Administration Branch will effect the agreements for partnership in the One-Stop centers. The Job Service Field Division Chief meets with the LWIB to develop the MOU for delivery of the Job Service (JS) Program in that local area's One-Stop center. Project Managers from the Business Operations Planning and Support Division (BOPSD) meet with the lessor or master leaseholder to negotiate a lease so that JS can occupy space in the One-Stop facility. The JS Field Division Chief meets with the One-Stop operator to develop pooled cost agreements for the cost items (non-facility items—see Appendix D, page D-2) that JS may be sharing in the One-Stop center. To assist the JS Field Division Chief with these agreements, technical support with expertise in specialty areas are available. For example, to answer a question regarding whether sharing in the cost of entertainment is allowable, the Contract Services Group within BOPSD could be contacted. Section VII, Other EDD Administrative Roles and Responsibilities, discusses technical support and Appendix A, Contact Directory, contains the telephone numbers of other entities that can be contacted.

After the agreement has been developed, BOPSD takes the lead to facilitate the completion and approval of the cost sharing agreement. The following diagram depicts the various One-Stop center agreements and the One-Stop entities involved with each.

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WIA One-Stop Collocation Agreement Processes

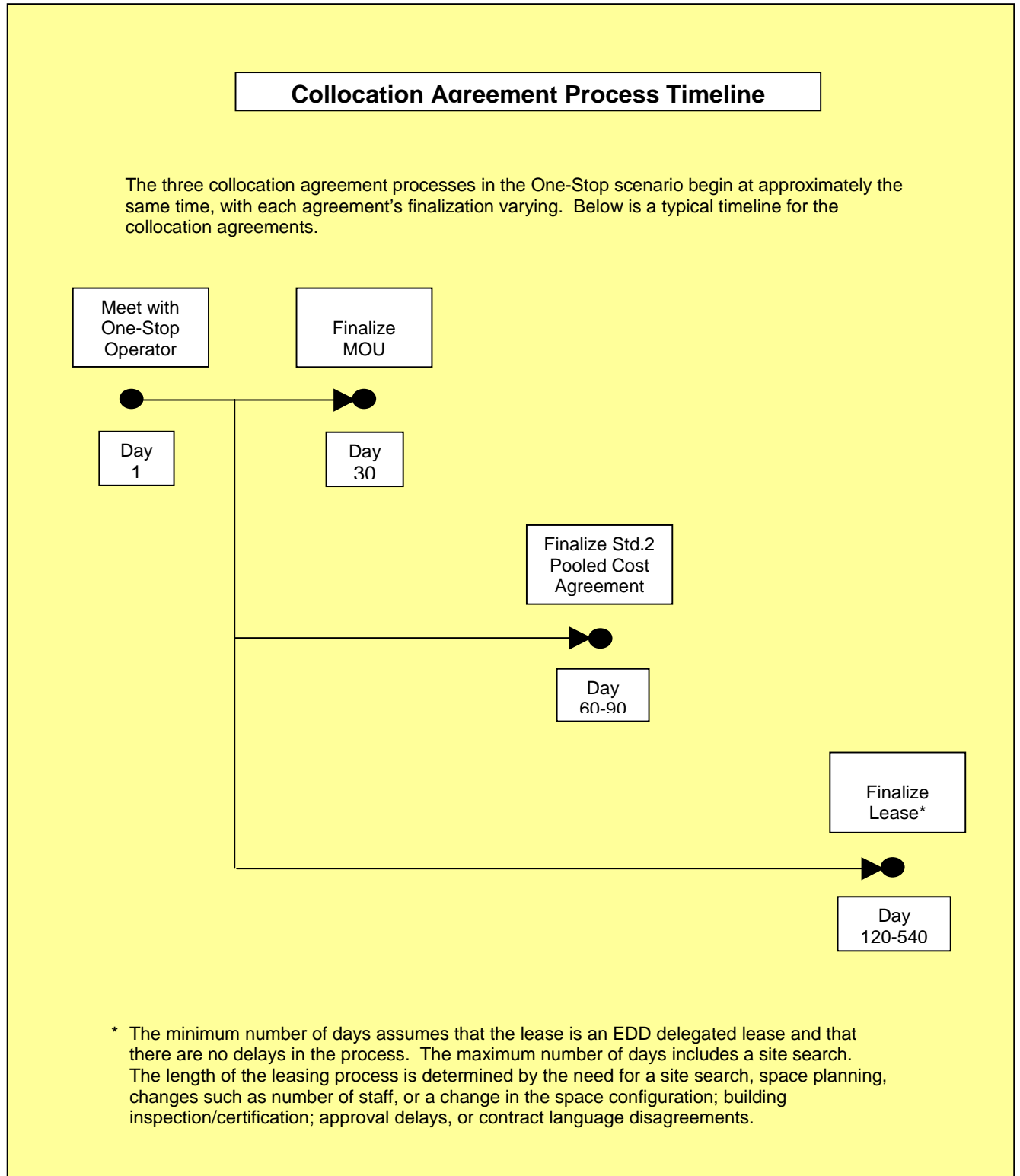
The collocation agreement three-pronged process—MOU, lease, and Std. 2.—is depicted in the three diagrams below. The roles and high level process for each are represented.



*Technical Support : OSD – Primary; BOPSD; DPD; Fiscal; HRSD; Legal

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These three agreements basically begin development at the same time, but because of their varying complexities some of the agreements take more time than others to be completed. Following is a timeline that gives an idea of how long the agreement process may take. However, each One-Stop scenario is different, with different partners and different issues, therefore making each One-Stop's timeline unique.



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IV. The MOU – Roles and Responsibilities

The players: JS/ LWIB

The JS Field Division Chief, the Employment Development Administrator (EDA), or the Employment Program Manager (EPM) II or III is primarily responsible for developing and negotiating the non-financial MOU with the LWIB to address program service delivery. JS Field Division Chiefs ensure that locally negotiated MOUs are consistent with the legislative and regulatory provisions in the WIA. Since the MOU is a non-financial agreement, the JS Field Division Chief or designee has signatory authority. To assist the JS Field Division Chief with these agreements, technical support, in specialty areas such as Budgets, is available. (Section VII, Other EDD Administrative Roles and Responsibilities, discusses technical support and Appendix A, Contact Directory, contains the telephone numbers of other entities that can be contacted for assistance.)

V. The Lease – Roles and Responsibilities

The players: JS/ Operations Support Division (OSD)/ BOPSD/ One-Stop Operator

JS Field Office Managers, with concurrence of the JS Field Division Chiefs, initiate requests for lease negotiations through OSD. OSD reviews each request for conformity with Operations Branch objectives and then forwards the request to BOPSD, which initiates a lease negotiation meeting with the One-Stop operator. To assist the JS Field Division Chief with these requests, technical support is available. (Section VII, Other EDD Administrative Roles and Responsibilities, discusses Technical Support and Appendix A, Contact Directory, contains the telephone numbers of other entities that can be contacted for assistance.)

The Office of Facilities Planning and Management (OFPM) within BOPSD is responsible for EDD's facilities acquisitions and for negotiating leases for occupancy in Department of General Services (DGS) or privately owned facilities. For leases that fall within EDD's lease delegation (see Section VIII, Lease Delegation), EDD handles the entire leasing process. DGS' Real Estate Services Division (RESO) processes leases that do not fall within EDD's delegation.

For delegated leases, OFPM Project Managers negotiate agreements with partners to satisfy all parties. EDD must reach an agreement that meets state requirements, and is legally and contractually binding. Lease negotiations entail a determination of which costs are put into the lease agreement and which costs will be placed in a separate agreement, and the terms of both of those agreements. The Project Manager will use the most appropriate agreement vehicle based on the criteria set forth in the lease and the Collocation Agreement/Payment Options matrix (see Appendix D). The Project Manager then submits a request with the leasing and financial terms that have been negotiated to the Contract Services Group within

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BOPSD for processing, approval, and signatures of the lease agreement.

For the leases that are not delegated to EDD, OFPM Project Managers gather operating costs for RESD's use in negotiating the lease costs with the partners. After collecting operating cost data, the Lease Management Unit in OFPM submits a Form 9 to RESD, which initiates the leasing process. RESD finalizes lease negotiations, puts the final lease package together, and completes package review and approval.

After the lease has been finalized, the JS Field Office Managers act as "building agents" for EDD space and, in conjunction with their BOPSD Facilities Representative, oversee the terms and conditions of the lease. Field Office Managers review and approve invoices related to utilities and forward them to Fiscal Programs Division (FPD). In addition, Field Office Managers may, in some instances, act as contract monitor for premise related services. In these cases, invoice approval authority is specified in the contractual agreement. BOPSD Facilities Representatives are available to answer any questions regarding premise invoice approval authority. OSD oversees, tracks, and represents the Operations Branch for all premise related issues.

VI. The Cost Sharing Contract – Roles and Responsibilities

The players: JS / OSD / BOPSD / One-Stop Operator

During lease negotiations, OFPM Project Managers may have identified cost items that the partners, including JS, will be sharing in the One-Stop center. Those costs, along with any costs that follow from the MOU, are put into an agreement separate from the lease along with any other items deemed necessary for successful cost sharing in the One-Stop center. Typically that agreement is the Std. 2. The most appropriate agreement vehicle to be used can be found in the Collocation Agreement/Payment Options matrix (see Appendix D).

The JS Field Division Chief, in consultation with the technical entities mentioned under Technical Support in Section VII, submits the negotiation agreement data to OSD, who in turn reviews the information to ensure that it is consistent with Operations Branch policies and practices. After completing its review, OSD submits a Contract Request with the financial terms of the cost sharing agreement to the Contract Services Group (CSG) within BOPSD for processing, approval, and signatures. CSG ensures that all contracts and agreements meet state and federal requirements and that all contracts are reviewed for legal, fiscal, and programmatic implications. BOPSD OFPM Project Managers will review the Contract Request, before the Std. 2 is prepared, to ensure it is consistent with, and does not contradict, issues already addressed in the lease agreement. FPD will review the Contract Request to ensure funds are available and that costs comply with DOL cost guidelines. The initial cost sharing agreement probably will be processed around the same time as the lease agreement. Coordination between BOPSD and JS will

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ensure that this process goes smoothly and that the agreements are not contradictory.

VII. Other EDD Administrative Roles and Responsibilities

Fiscal Programs Division (FPD)

Both the Accounting and Budget Sections' staff are available to provide general consultation and direction regarding allocation agreements.

Accounting Section

FPD's Accounting Section is responsible for maintaining the Department's accounting records. When EDD staff move into a partner's site, the Administrative Payments Group (APG) reviews the contractual agreements and encumbers funds to pay for products and services. When invoices are received, APG audits them for compliance to the terms and conditions of agreements and schedules them for payment through the State Controller's Office. In addition, APG ensures compliance with state and federal rules and regulations. When a partner moves into an EDD site, the Accounts Receivable Unit reviews the reimbursable agreement and invoices the partner based on the terms and conditions of the agreement.

Budget Section

The Department Budget Unit (DBU) within FPD's Budget Section monitors the Department's overall OE&E expense, including Expense Code 710, Rent. DBU reviews contracts/leases where EDD staff will move into a partner's location, verifying that the Department has the funds to pay for these expenditures. DBU also reviews the coding on these documents to ensure proper reporting of the expenditures. The Budget Coordination Unit (BCU) within Budget Section monitors the Department's Reimbursable Budget Authority. The BCU reviews contracts/leases when a partner moves into an EDD site, verifying that the Department has budgetary authority to cover the sub-lease amount.

Human Resource Services Division (HRSD)

HRSD's Labor Relations Section provides guidance in human resource matters related to working conditions and supervision of EDD staff, including EDD staff in One-Stop centers. To obtain specific details regarding the working conditions that must be provided to EDD staff, contact HRSD (see Labor Relations – HRSD in Appendix A, Contact Directory).

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Information Security Office (ISO)

The ISO provides guidance and/or technical assistance on confidentiality, integrity, and availability of information assets. In addition, the ISO provides guidance and/or technical assistance on appropriate data security controls and confidentiality requirements to be included in MOUs and agreements. The ISO provides assistance in risk identification, risk mitigation, and contingency planning regarding information security to protect information assets.

JS as the One-Stop Operator

In limited instances, JS can be the One-Stop operator. Internal Administrative Notice 99-30 describes the process used to determine when it is appropriate for JS to be the One-Stop operator, the roles and responsibilities that would be assumed by JS if they were the One-Stop operator, and the procedures for becoming a One-Stop operator.

Technical Support

The agreements in the One-Stop environment encompass a wide variety of areas, and at certain times require expertise in several areas. For example, in developing a partnering agreement, questions may arise regarding allowable costs that can be shared, data cabling requirements, building code compliance, confidentiality restrictions around sharing information, or budget limitations. To assist the agreement negotiator, be it a lease, MOU, or other cost sharing agreement that is being negotiated in a One-Stop, technical support is available. It would be highly unlikely that any one person could possess all of knowledge required to answer every question that may come up in negotiations. (Appendix A contains a list of contacts that can be of assistance.) For the Field Division Chiefs, OSD will be your primary support contact. OSD can then get the information you need to answer your negotiating questions and then share that information with other Field Division Chiefs so that there will be consistency throughout Job Service and the One-Stops. (Appendix A, Contact Directory, contains the numbers of the entities that can be contacted to provide assistance or to answer questions.)

VIII. Collocation Agreement Considerations

Following are various procedures associated with collocation agreements. They should be considered by those involved with negotiating, approving, and signing the collocation agreements.

Allowable Costs

Certain costs are allowable in leases and cost sharing agreements. Other costs are not. For example, auto/auto repairs, bottled water, entertainment, mail, postage, refreshments, shredding, and vending machines are not allowed. The Cost

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Allocation Plan/Worksheet (see Appendix E) provides EDD Project Managers and JS Field Division Chiefs with a tool for use to ensure that allowable charges are both considered and documented in accordance with partner collocation agreement options. The Cost Allocation Plan/Worksheet becomes part of the lease package and/or the Std. 2 that is reviewed and approved.

Budget Authority

It is EDD's goal to be a full partner in the WIA One-Stop centers. However, the decision to collocate in the One-Stop center is subject to a fiscal analysis as it relates to:

- Availability of funds
- Budget augmentation
- Rent savings
- Federal equity issues

The OFPM Project Managers, therefore, work closely with DBU to ensure that EDD has the budgetary authority to collocate. The JS Field Division Chiefs should also work closely with DBU to ensure that JS has the budget to cover the cost pooling agreements in which they are entering. The DBU contact is listed in Appendix A, Contact Directory.

Building Standards

EDD leased facilities must comply with the California Health and Safety Code sections related to fire and life safety, seismic, and asbestos guidelines. Leased facilities must also comply with the Americans with Disabilities Act. To ensure that EDD will be compliant with these standards and codes, it is critical that staff from the OFPM be consulted and actively participate in any discussions, meetings, or negotiations related to space occupancy. (Refer to Appendix A, Contact Directory for the Facilities Management and Leasing contacts.)

Contract Delegation

EDD is authorized to enter into financial contracts that fall within certain delegated amounts. For example, EDD's CSG can process service contracts in-house that are under \$75,000; equipment maintenance/repair contracts that are \$50,000 or less; or reimbursable contracts that are \$50,000 or less. Contracts exceeding the delegated thresholds must be approved by DGS. These delegation levels are subject to change.

Federal Equity

When EDD negotiates rent for buildings with Federal Equity and/or the building has recent capital outlay expenditures (acquisition, construction, major renovation), the process below should be followed in order to avoid disallowed costs resulting from DOL/Federal audits.

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Determine if Federal Equity Exists

In order to determine if the Federal Government has equity in a partner's facility, the BOPSD representative must ask the partner's representative, "Has Federal funding been used for any capital outlay costs associated with this building (acquisition, construction, renovation)?" "Federal funding" means any federal money, irrespective of program or federal agency source. If the partner's representative is uncertain of the answer, suggest that he/she contact their fiscal office. When the answer is obtained, document (a) the answer, (b) the name and title of the source, and (c) the date. Make this information part of the permanent file. To determine if federal equity exists in an EDD facility, the BOPSD representative can contact FPD.

Renting Space in a Partner's Facility

If the partner's facility has federal equity, EDD can only pay operating and maintenance costs. However, if the building has had recent capital outlay expenditures, EDD can pay an additional two percent use fee per year. The use fee is calculated by dividing the total capital outlay expenditure by 50, and then multiplying the result by the percentage of building space occupied by EDD. If improvements are made solely for EDD's benefit, EDD can pay the full cost of the improvement, e.g., building a private office for the EDD manager. If improvements are made for the mutual benefit of all partners, EDD can pay their proportional share of the total cost.

Leasing Space in an EDD Facility with Federal Equity

When a partner rents space in an EDD facility in which the federal government has equity, EDD can only charge the partner for operating and maintenance costs. If the facility has had recent capital outlay expenditures, EDD can add a two- percent use fee per year to the rental rate. The use fee is calculated by dividing the total capital outlay expenditure by 50, and then multiplying the result by the percentage of building space occupied by the partner. If improvements are made solely for the partner's benefit, EDD will charge the partner the full cost of the improvement, e.g., building a private office for the partner's manager. If improvements are made for the mutual benefit of all partners, EDD will charge the partner a proportionate share of the total cost.

Financial Services

FPD's Accounting Section is available to provide financial guidance as it relates to One-Stop center operations (see Appendix A, Contact Directory). The Accounting Section can provide direction on which authorization vehicle is needed, what coding is appropriate on contractual agreements, the invoice payment process, and the State Prompt Payment Act requirements. In addition, FPD can provide general consulting advice and direction regarding collocation agreements.

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Human Resources

Placement of EDD staff within a collocation site is subject to continued application of all policies, procedures, and terms and conditions of employment to which EDD employees are otherwise subject (e.g. Injury and Illness Prevention Program, bargaining unit contract provisions, EDD policies, security enhancements, etc.). When considering sharing staff and/or pooling staff costs, consult with the Operations and/or Administration Branch Deputy Director for guidance before proceeding.

Lease Delegation

Pursuant to Government Code 11005.3, DGS has authorized EDD to enter into lease agreements with an annual value not to exceed \$50,000 and up to a total of three years lease term and that meets certain conditions. Leases above \$50,000 or a three-year term, or that are a sublease, must be prepared and signed by RESD. BOPSD is the sole EDD entity authorized to negotiate and execute delegated leases and serves as liaison to DGS for leases assigned to RESD.

Major “By-State” Leases

EDD has a limited amount of Reimbursable Budget Authority. FPD’s BCU should be contacted when a partner is moving into an EDD leased facility with an annual sublease amount of \$50,000 or more. This will ensure that EDD does not exceed our Reimbursable Budget Authority and will also allow plenty of lead time to request additional authority if warranted. The BCU is listed in Appendix A, Contact Directory.

Materiality of Pooled Costs

Tracking and accounting for cost sharing items can be very resource intensive and cumbersome. For this reason, EDD minimizes the exchange of funds by limiting shared cost or ongoing cost items to those that are significant (greater than \$1,000). Exceptions to this threshold are handled on a case by case basis.

Personal Services – Staffing

Proposals to include a prorated share of One-Stop operator costs related to program service delivery, such as receptionist, director, and controller, are to be discussed with the Operations and/or Administration Branch Deputy Director before proceeding. In the event that the Deputy Director approves a proposal for EDD to pay a prorated share of the One-Stop operator’s shared staff, the cost agreement would be captured and processed through a Std. 2 agreement.

The EDD can enter into a reimbursable agreement where the partners are reimbursing EDD for pooled costs associated with EDD staff without Executive Management review. Partner supervisory staff may have lead responsibility over EDD staff, to the extent of assigning and reviewing work, having input on

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performance issues, etc. EDD employees will continue to have an assigned EDD supervisor that handles personnel issues, performance appraisals/evaluations, pay issues, and corrective actions.

Signatory Authority

EDD Executive Order No. 10 grants contract signatory and termination authority for financial contracts. Under this order, the Std. 2 can be signed by the Chief Deputy Director, the Administration Branch Deputy Director, the FPD Chief, and/or the BOPSD Chief. The Administration Branch Deputy Director and the BOPSD Chief can sign leases. The party entering into an MOU has signatory authority for the MOU. JS Field Division Chiefs (or whoever was primarily responsible for negotiations) will sign the One-Stop center MOUs.

Tenant Improvements

Tenant improvements (TI) may be paid in a lump sum or amortized over a lease. If not documented properly, amortizing TIs through the lease inflates rent and does not present an accurate picture of rent costs for budgeting purposes. If the partner is doing a TI in one of EDD's buildings, an equity issue may be created. If EDD pays a lump sum for Modular System Furniture (MSF), then EDD may have equity or ownership in the MSF. This can sometimes present DOL issues when EDD vacates the facility. Questions regarding equity and ownership can be directed to FPD (see Appendix A, Contact Directory).

Verbal Agreements – NOT ALLOWED!

Verbal agreements between partners are not legally binding and should not be entered into under any circumstance.

IX. Agreement/Payment Options

There are a number of ways to handle cost agreements. In many cases the specific leasing situation or pooled cost item will dictate the most appropriate method or vehicle used. To assist Project Managers and JS Field Division Chiefs in identifying and selecting appropriate options for handling costs associated with a collocation, the Collocation Agreement/Payment Options document (see Appendix D) describes options and agreement vehicles for a given situation and gives the pros and cons of those options.

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X. Types of Agreements/Payment Vehicles Used in Collocations

Following is a brief description of agreement and payment vehicles that may be used in the One-Stop environment. Vehicles described include MOUs, leases, and standard contracts, as well as some of the vehicles used for one-time purchases in the One-Stop setting.

CalCard

The “supply” CalCard can be used for purchasing one-time small dollar amount items such as supplies and marketing signage. The “facilities” CalCard, currently under pilot, can be used for emergency services such as replacement of a broken window. CalCards have certain dollar spending limits and are limited to the purchase of specific items or services. Purchasing Services Group (PSG) handles the CalCard program (see Appendix A for the CalCard contact).

Contract Delegation/Purchase Order (CDO) Std. 65

A CDO is used for the purchase of goods from vendors and services, except telecommunication services, from California Multiple Award Schedule (CMAS) vendors. CDOs are used for items such as equipment, personal computers, chairs, copiers, faxes, modular furniture, supplies, marketing signage, etc. PSG issues CDOs (see Appendix A for the CDO contact).

Memorandum of Understanding (MOU)

The MOU is used to confirm a non-financial understanding. Under the Workforce Investment Act (WIA) of 1998, the MOU must address certain elements of the Act and program service delivery issues. The California Workforce Investment Board web page contains sample templates of WIA MOUs. The Web sites are:

http://calwia.org/PDF_Reference/MOUtemp1.pdf

http://calwia.org/PDF_Reference/MOUtemp2.pdf

Purchase Service Authorization (PSA)

A PSA is used by EDD when contracting for one-time, low risk, small dollar value services. In some instances a PSA is used when contracting for on-going premises services for the brief period of time required to competitively bid and award a new Std. 2; or for emergency¹ services where the immediate need makes it impossible to process a Std. 2 prior to commencement of services. A PSA is also used as a method of payment for moving services obtained through the Uniform Price Schedule. PSAs are issued through BOPSD. Detailed information regarding the

¹“Emergency” is defined by PCC section 1102 as: “A sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services.”

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PSA process and instructions for completing PSAs can be obtained by visiting BOPSD's Web site at:

<http://151.143.214.11/dscgi/ds.py/View/Collection-1789>

or by contacting CSG (see Appendix A for the PSA contact).

Reimbursable Agreements

Just as EDD can contract with a partner to pay for the use of their space or pay a portion of the partner's operating costs, the same is true if the situation is reversed (i.e., the partner can pay EDD for the use of space in an EDD building or sublease from EDD if EDD is the master lease holder.) Cases where a partner is paying EDD for space, services, or a portion of pooled costs is referred to as a reimbursable agreement. Leases where a partner is leasing space from EDD are processed on a Standard "By-State" Sublease Form and the other pooled costs that a partner is paying EDD for would be processed on a Std. 2.

Short Form Lease

A short-form lease is a condensed version of a regular lease and is approximately three to four pages long. EDD is only allowed to use a short-form lease under the following conditions:

- Rent does not exceed \$1,000.00 per month.
- EDD is leasing the site "as is." There will be no alterations or construction to the premises.
- There will be no Consumer Price Index increases or monthly rent adjustments in the lease.

The short-form lease is generally used for rental of parking spaces or storage units. When leasing a facility, the rent usually exceeds \$1,000.00 per month.

Space Use Permit

A space use permit is an agreement between EDD and a partner for EDD to use space in a partner's site rent-free. Space use permits are not used as an encumbering document and are limited to non-financial arrangements. If there is an agreement to share costs or EDD up-front costs, it should be outlined in a Standard Lease and documented in a Std. 2. It is acceptable to include reference to phone and utility bills in the space use permit when those items are directly billed to EDD by the vendor. Space use permits are under the same building code requirements as a lease. Field Office Division Chiefs or OFPM staff may complete space use permits. Space use permits are submitted to OFPM Management for approval.

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Standard Lease Form

The Standard Lease form is a DGS approved form used to document a lease agreement between EDD and the lessor. The Standard Lease form contains boilerplate language to address typical terms and conditions of a lease. Suggested amendments to the boilerplate language, that are agreed upon during lease negotiations and approved by EDD's Legal counsel and the DGS, can be added to the Standard Lease.

Standard Sublease Form

The Standard Lease form is a DGS approved form used to document a sublease agreement between EDD and the sublessor/master leaseholder. It can be used when a master leaseholder wants to sublease space to EDD or EDD wants to sublease space to a partner. The Standard Sublease form contains boilerplate language to address typical terms and conditions of a sublease. Suggested amendments to the boilerplate language, that are agreed upon during lease negotiations and approved by EDD's Legal counsel and the DGS, can be added to the Standard Sublease.

Std. 2 Standard Agreement

The Std. 2 is the DGS approved form to be used for all State contracts except agreements between State agencies. Agreements between State agencies are made with a Std. 13 Interagency Agreement. The Std. 2 is also an encumbrance document for encumbering funds to pay the contract.

Telecommunications Service Request – Form 20

Requests to add and change telephone features and services are submitted to the Telecommunication Section in the Data Processing Division. An Authorized Telecommunications Representative submits the Form 20 to the local utility or service provider. For more information regarding the Form 20 process, contact Telecommunications (see Appendix A, Contact Directory).

To identify specific costs to EDD for use of a partner's telephone system that will be paid using a Std. 2, the One-Stop Keysheet (see Appendix H) is completed by the Operations Branch Telecommunications Specialist and submitted with the contract request. The One-Stop Keysheet contains pertinent phone system information such as phone number, features, phone model, monthly cost, etc.

Tenant Use Permit

A tenant use permit is an agreement between EDD and a partner for the partner to use space in an EDD facility rent-free. Tenant use permits are not used as a reimbursable document and are limited to non-financial arrangements. If there is an agreement to share costs or partner up-front costs, it should be outlined in a

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Standard Lease and documented in a Std. 2. It is acceptable to include reference to phone and utility bills in the space use permit when those items are directly billed to the partner by the vendor. Field Office Division Chiefs or OFPM staff may complete the tenant use permit. Tenant use permits are submitted to OFPM Management for approval.

Quick Reference

The table below provides a quick reference to the appropriate agreement vehicle for a given type of agreement element. For example, the table shows that for a one-time cost item, the CalCard, a CDO, or a PSA can be used.

Agreement Vehicle	Program Delivery	Facility Space	Pooled Costs	One-time Costs	Personal Services
CalCard				✓	
CDO				✓	
MOU	✓				
PSA				✓	
Reimbursable contract			✓	✓	✓
Short Form Lease		✓ (under \$1,000/month)			✓ (incidental to the lease)
Space Use Permit		✓ (rent free)			
Standard Lease		✓			✓ (incidental to the lease)
Standard Sublease		✓			✓ (incidental to the lease)
Std. 2			✓		✓
Std. 13			✓		✓
Tenant Use Permit		✓ (rent free)			
Form 20				✓ (phone services)	

XI. Tracking/Administration of Agreement

This Section briefly describes the various administrative processes related to the collocation agreements.

Agreement Tracking

CSG maintains a database to track contracts, including delegated leases. CSG enters the contract information into its database and status information is available to users online at the following address:

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<http://151.143.214.125/bopsd/contract.html>

The contracts database is updated daily. Copies of the leases and Std. 2 contracts are maintained in BOPSD.

Operations Branch's OSD will track the One-Stop MOUs in a database and maintains copies of the agreements in its own repository.

Amendments

The amendment process for an agreement is outlined in the agreement's terms and conditions. The agreement usually specifies that amendments are made by written mutual consent and go through the same approval process that the original agreement goes through. Reasons for agreement amendments may include:

- Withdrawal of a partner.
- Addition of new partners causing a reallocation of workspace allotments.
- An existing partner's operations require additional workspace thereby causing a reallocation.
- Modification of the number of services that a partner will be providing.

Conflict Resolution/Renewals/Extensions

Leases, Standard Agreements, and MOUs typically contain information regarding conflict resolution, renewals, and extensions of the agreement. These paragraphs should be pertinent to the type of agreement being used.

Contract management/monitoring

The contract monitor ensures the overall integrity of the contract and ensures that the agreed upon terms are being met. Monitoring includes maintaining a file of all documents relating to the contract including the Agreement, amendments, invoices, and pertinent correspondence. The contract monitor also monitors the availability and allocation of funds, initiates timely contract renewals and amendments, monitors and documents contractor performance and compliance, and verifies invoice accuracy and provides approved invoices to FPD for timely payment. The Contract Monitor Responsibilities Form CG 46, available through CSG, details the responsibilities. The agreement (lease, Std. 2, or MOU) specifies the contract monitor.

Invoice approval

Invoices are received from vendors as a result of contractual agreements. Invoices are approved by a manager and then forwarded to FPD Administrative Payments Group (APG) so that they may be paid. The original and one copy of each invoice are needed. All approvals are stamped on the copy of the invoice in a space that does not cover vendor payment information. **Exception:** On DGS direct transfer

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invoices, the stamp should be on the original invoice. An approval stamp has been designed detailing the information needed to pay invoices and have been distributed to all cost centers. If an approval stamp is needed, please call (916) 654-9058 or CALNET 8-464-9058. The approval stamp includes the following information:

Manager or Designee's Signature	_____
Approval Date	_____
Date of Service	_____
Type of Service	_____
Authorizing Document #	_____
(PO #, CDO #, PSA #, etc.)	
Cost Center/Expense Code	_____
Project/Activity Code	_____

After the approval information has been completed, the invoice and copy is forwarded to APG, MIC 52 along with the name of a contact person and his or her phone number.

Telephone Bills: After receiving telephone bills from APG, follow the steps below:

- Verify all calls listed are charged correctly and are business related.
- If the bill is not correct, contact DPD's Intake Desk, at (916) 653-6442, who will contact the telephone vendor.
- If the bill shows a 'Balance Due,' approve the summary sheet for payment and send to APG, MIC 52. The field office (cost center) keeps the detail records. The retention on the detail records is one year in the office and three years in archives.

Termination

Leases typically identify the processes for termination of the lease. Std.2s and MOUs also identify how parties may terminate the agreement.

XII. Appendixes

The following appendices include informational documents and tools associated with the collocation agreement process.

- A. Contact Directory
- B. Glossary of Acronyms and Terms
- C. Frequently Asked Questions
- D. Collocation Agreement/Payment Options
- E. EDD Cost Allocation Plan/Worksheet
- F. Pooled Costs Methodologies
- G. Government Policies
- H. Forms

Contact Directory

The following staff can be contacted regarding collocations.

Subject	Contact	Phone #
Administrative Payments	Manager, APG	(916) 654-7164
Budget Coordination Unit (Reimbursable authority questions)	Manager, BCU	(916) 654-7131
CalCard Program	Coordinator	(916) 653-2880
Contract Delegation Order (CDO) Std. 65	Manager, PSG	(916) 654-6852
Data Processing Division		(916) 654-6816
Department Budget Unit (Rent budget questions)	Manager, DBU	(916) 654-9732
Facilities Management (Central Region)	Manager	(916) 654-7790
Facilities Management (Northern Region)	Manager	(916) 654-7442
Facilities Management (Southern Region)	Manager	(916) 654-9180
Federal Equity Issues, Federal Allowable Costs	Manager, Financial & Cash Management Group	(916) 654-7311
Form 20	Telecommunications	(916) 653-6442
Information Security Office (ISO)		(916) 654-6231
Labor Relations	HRSD	(916) 654-9757
Leasing	Manager, Facilities Leasing & Design Services Group	(916) 653-6770
Legal		(916) 654-8510
Operations Support Division	Administration	(916) 657-5190
PSAs	Contract Services Group	(916) 654-8388
Std. 2. contract registration, status, questions	Contract Services Group	(916) 654-8388
Telecommunications	Manager	(916) 653-6266

Glossary of Acronyms and Terms

APG	Administrative Payments Group
BCU	Budget Coordination Unit
BOPSD	Business Operations Planning and Support Division
CDO	Contract Delegation Order
CSG	Contract Services Group
DBU	Department Budget Unit
DGS	Department of General Services
DOL	Department of Labor
EDA	Employment Development Administrator
EDD	Employment Development Department
EPM	Employment Program Manager
FPD	Fiscal Programs Division
HRSD	Human Resource Services Division
ISO	Information Security Office
JS	Job Service
LWIB	Local Workforce Investment Board
MOU	Memorandum of Understanding
MSF	Modular System Furniture
OFPM	Office of Facilities Planning and Management
One-Stop center	Facility cohabited by partners delivering services under the WIA, with the goal of providing seamless access to customers
OSD	Operations Support Division
PSA	Purchase Service Authorization
PSG	Purchasing Services Group
RESD	Real Estate Services Division
TI	Tenant Improvement
WIA	Workforce Investment Act

Frequently Asked Questions

Question: How long can EDD sublease space?

Answer: EDD normally ties a sublease to the partnership's funding stream and will try to mirror the partner's Master lease term. Typically the longest "firm" lease term EDD commits to is four and one-half years. Anything longer requires legislative notification. Typical lease terms are three years with two years being "firm." The "firm" term is the period of time for which EDD has made a commitment. The lease term beyond that period is referred to as "soft." During the "soft" term of a lease, EDD can terminate the lease upon notice within the agreed upon number of days, e.g., 30-days, 60-days, notice.

Question: Can EDD purchase MSF for partnerships through the Prison Industry Authority (PIA)?

Answer: EDD cannot purchase MSF through PIA for a partner. However the partnership can purchase MSF through a State contract and get the State discounted price. The OFPM Project Manager handles the coordination of the MSF purchase.

Question: How does EDD pay for MSF?

Answer: MSF items can be included in the sublease or broken out separately on a Std. 2 contract (unless the furniture is paid for up front in a lump sum payment).

Question: Who has ownership of equipment/furniture purchased by the partnership?

Answer: In most cases, if the purchase is paid for over the life of the product, the partnership retains ownership. In cases where the purchase is paid for up front in a lump sum payment, whoever made the purchase retains ownership.

Question: Can the State assist the partnership with space plan drawings?

Answer: Yes, upon availability of staff and if the State will be a tenant in the space.

Question: Can EDD pay for and perform seismic certifications?

Answer: State law prohibits EDD from contracting out the seismic certification of a partner's site. EDD can reimburse the partner for a prorated share of seismic evaluation costs. EDD's cost for assessment should not exceed \$3,000.

Question: Can EDD pay for seismic retrofit work?

Answer: The EDD cannot make capitalized improvements to a leased facility. Seismic retrofit work would fall into this category.

Question: Do program staff need the ability to write "legalese" contract language?

Answer: No, all legal requirements are written into the boilerplate contract language. Also, CSG writes the Std. 2 contract based on the information provided by the program.

Question: Once a contract request (DE 7409) is submitted to CSG, how long does it take to get the Std. 2 approved?

Answer: The average processing time is 12 to 16 weeks. However, depending on dollar amount, changes to boilerplate, completeness of forms, and required internal and external clearances and signatures, the time can be reduced or increased considerably.

Question: What if the partner wants to change the Std. 2's boilerplate language?

Answer: The boilerplate language meets required State laws and was approved by EDD's legal/fiscal and other EDD offices in advance so that the agreements could be processed expeditiously. Request for changes will require that the review process be repeated.

Question: Are there dollar or time period limits for Std. 2 contracts?

Answer: Std. 2 agreements should not be written for more than one year. Multi-year agreements may be written with strong justification but may not exceed three years. There are no dollar limits on Std. 2 contracts. Contracts for \$50,000 or more must be approved by DGS Legal Office, which adds two weeks to the approval process.

Question: What fiscal information is required in a Std. 2 contract?

Answer: Costs must be itemized within a detailed budget. Invoice procedures (name, address, and phone number of where the invoice is to be sent) must be included.

Question: What's the difference between a Std. 2 contract and a Purchase Service Authorization (PSA)?

Answer: A Std. 2 agreement is the DGS-approved form required for most State agreements. The PSA has a dollar limit of \$5,000; the Std. 2 has no limit. Additionally, the PSA does not require the signature of the contractor so it may be processed much quicker. The PSA is used for low dollar agreements that are basically very simple and not complex in nature.

Collocation Agreement/Payment Options

The table below presents various collocation cost items and their expense code, the appropriate options for handling those costs, and the pros and cons of each option. This tool should be used in developing financial collocation agreements.

Collocation Cost Item	Expense Code	Options – Pros & Cons
Controller		A. Approval to share One-Stop operator staff is to be obtained from EDD Executive Management. If approved, costs are captured in a Std. 2 agreement. B. The partner may reimburse EDD, if they are sharing in EDD's staff costs on a reimbursable contract.
Director		
Staff (by class)		
Supervisor		
<i>Part of lease negotiations</i>		
Rent	710	A. Lease Agreement Pros: Compliant with State/DGS policy (rent). Legal protection for EDD. B. Space Use Permit (if rent free). Pros: Documents collocation. Cons: Provides minimal liability coverage.
Tenant Improvements (TIs)	710/709	A. Amortize costs via monthly rent in the lease agreement. Attach worksheet for documentation. Pros: Avoids initial cost. Fewer contracts and payments. Negotiation tool – flexibility. Existing business practice. Cons: May be more costly in long run. Cumbersome to amend the lease. Inflates rent budget. Lose expense code visibility. B. Lump sum in lease/paid by separate invoice. Pros: Expense code visibility. Does not inflate rent budget. Past business practice. Cons: Large initial cost outlay. More contracts and payments. C. Std. 2 Agreement. Pros: Expense code visibility. Does not inflate rent budget. Could be used to document offset situation. Cons: More contracts and payments.

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Appendix D

Collocation Cost Item	Expense Code	Options – Pros & Cons
<i>Part of shared costs – Standard 2 Agreement</i>		
Book case	640	<p>A. EDD provides own equipment/supplies/services/ training and does not share with partners. Referenced in lease.</p> <ul style="list-style-type: none"> Per SAM, EDD has to get DGS approval to contract out duplication. Shipping/moving over \$300 requires DGS Traffic Management approval. Training requires a DE 3555 or Std. 697 (STC). A Std. 2 or Letter of Authorization may be used, under certain circumstances, when contracting with a vendor for specific training. <p>Pros: Control of type of product/supplies/service maintenance. Ownership. Control over type of training and vendor selection.</p> <p>Cons: May not be consistent with office environment.</p> <p>B. Shared equipment/supplies/services (EDD Owned), Std. 2 Agreement.</p> <p>Pros: Control over type of product/service, maintenance. Ownership. Reduces cost.</p> <p>Cons: Requires more accounting (invoicing partner and receipting money). Shared information resources require a risk assessment be completed.</p> <p>C. Shared equipment/supplies/services (Partner Owned), Std. 2 Agreement (invoiced separately from rent, Std. 2 referenced in lease).</p> <p>Pros: No up-front cost of obtaining equipment. Expense code visibility.</p> <p>Cons: Not EDD owned. May be more costly in the long run. Shared information resources require a risk assessment be completed.</p> <p>D. EDD provides equipment/supplies/services and shares with partner. Use as offset to rent and reference in lease/Std.2 cost allocation plan.</p> <p>Pros: Could lower rent. Control over type of product/service, maintenance. Ownership.</p> <p>Cons: Doesn't reflect rent expenses appropriately. Affects budget projections. Shared information resources require a risk assessment be completed.</p>
Business cards	920	
Chairs	640	
Conference phone	641	
Controller	643	
Copier machine	640/660*	
Design – form/brochure	920	
Desk	640	
Dumb terminal (3270)	643	
Duplication - black & white or two colors	962	
Electronic white board	640/660*	
Equipment maintenance	620	
Fax	641	
File cabinet – 5 drawer	640	
Forms/brochure holders	310	
HHSDC network data lines	836	
Industrial shelving	640	
Letterhead	920	
Marketing signage	920	
Personal computer	645	
Phone directory	962	
Phones	641	
Posters	920	
Printer	645/663**	
Projector	640/660*	
Projector screen	640/660*	
Server	645/663**	
Shipping	930	
Supplies/Warehouse Supplies	310/320	
Table 30" x 60"	640	
Terminal table	640	
Television	640	
Training	910	
Typewriter	640	
VCR	640	

* If item is under \$5,000 per unit, use expense code 640, if \$5,000 or more per unit, use expense code 660.

** If item is under \$5,000 per unit, use expense code 645, if \$5,000 or more per unit, use expense code 663.

Collocation Cost Item	Expense Code	Options – Pros & Cons
<i>Typically part of lease negotiations, although some items may be addressed under separate contract.</i>		
Facilities management	732	<p>A. Std. 2 Agreement. Lease or Space Use Permit references Std 2 Agreement.</p> <p>Pros: Documents how and what will be paid through the Std. 2 in accord with the lease, but does not inflate the rent budget. Complies with laws. Allows flexibility in making amendments. Can be used to document detailed accounting agreements between partners.</p> <p>Cons: More contracts and payments.</p> <p>B. Part of the lease agreement.</p> <ul style="list-style-type: none"> When lump sum with rent, provide detailed worksheet for accounting. If prorated share of costs, prorated amounts should be itemized. <p>Pros: Easier. Fewer contracts and payments. Existing business practice.</p> <p>Cons: Worksheet detailing fair share costs may not be legally binding. Does not allow amendment flexibility. Inflates rent budget if not separately invoiced. May be more costly in long run. No expense code visibility. May violate State rules on contracting for janitorial. Lessor may fail to act, e.g. moisture problem in one location (landscaping). New contracts with bargaining units have certain notification requirements. This may be a problem with the lessor (i.e., notification of pest control spraying).</p>
Janitorial	740	
Landscaping	732	
Lease management	732	
Modular equipment – panels	640/660*	
Pest control	732	
Power sweeping	732	
Security guard	823/824	

* If item is under \$5,000 per unit use expense code 640, if \$5,000 or more per unit, use expense code 660.

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Appendix D

Collocation Cost Item	Expense Code	Options – Pros & Cons
Long distance charges	410	<p>A. Direct invoice.</p> <p>Pros: PUC regulated, therefore, no internal procurement document required. EDD share documented in the lease or space use permit. Expense code visibility. Does not inflate rent budget.</p> <p>Cons: More payments.</p> <p>B. Part of the lease agreement.</p> <ul style="list-style-type: none"> When lump sum with rent, provide detailed worksheet for accounting. If prorated share of costs, prorated amounts should be itemized. <p>Pros: Easier. Fewer contracts and separate payments. Existing business practice.</p> <p>Cons: Worksheet detailing fair share costs may not be legally binding. Does not allow amendment flexibility. Inflates rent budget if not separately invoiced. May be more costly in long run. No expense code visibility.</p>
Monthly data line charge	410	
Monthly line charge	410	
Phone lines to work stations	410	
Utilities	710/720	
Cable/electrical site prep	710/732	<p>A. Contract out or EDD performs work, or pay lump sum to lessor outside of lease. PSA or separate agreement could be used. A Form 20 would be used for voice line and circuit installation/de-installation.</p> <p>Pros: Expense code visibility. Does not inflate rent budget.</p> <p>Cons: More contracts and separate payments. Initial cost.</p> <p>Tenant Improvements (voice lines, circuit, cable/electrical, and equip. only). See Tenant Improvement options on page D-1.</p>
Equipment installation/de-installation	732 or same as equip. purchased on CDO	
Other miscellaneous (one-time service costs)	Various (depends on service)	
Rental space- job expos	962	
Voice circuit installation/de-installation	410	
Voice lines installation	410	
Auto/Auto repairs	Auto 660 Repairs 623	<p>Normally prohibited as a shared cost. Exceptions are handled on a case-by-case basis.</p>
Entertainment, Refreshments, and Vending Machines		
Shredding	860	<p>To comply with State confidential destruct regulations, EDD shredding should be done separate from other One-Stop entities. Staff can send their confidential documents to their main office for destruction, use a separate specific type of shredder, or contract through the Master Service Agreement. EDD should not pay for a share of the partner's shredding or mix our shredded documents with the partner's.</p>

EDD Cost Allocation Plan/Worksheet

INSTRUCTIONS EDD Cost Allocation Plan/Worksheet

Purpose:

To provide OFPM Project Managers with a tool for ensuring that allowable charges are both considered and documented in accordance with collocation agreement options. This document will become part of the official premise package that is transmitted for lease review and approval.

Instructions:

Complete the worksheet as follows:

Completed By: *Enter your name and the date the worksheet is completed.*

Address: *Enter the address of the facility being leased.*

Project Number: *Enter the number assigned by the Facilities Leasing Group.*

Agreement Number: *Enter the number assigned by the Contract Services Group.*

Part A –Costs Included in Leases

Part A includes items that may be applied as a charge in one or more of the following collocation agreement scenarios:

- A Standard Lease/Sublease alone; or,
- Reference in a Standard Lease/Sublease and charged using a Std. 2 Agreement; or,
- A Std. 2 Agreement to stipulate/memorialize conditions of shared charges agreed upon when space is shared under a Space Use Permit.

Part A is completed using the information contained in the following table:

COLUMN	ENTRY
COSTS	Charges
PAYMENT METHOD	Identify the method that is used to pay costs under the agreement. Each cost must have an entry in one or more of the corresponding sub-columns.
ALLOCATION METHOD	Specify the methodology used to allocate the cost. For example, pro-rata share based on a specified percentage of space occupied. A separate worksheet may be used to detail the cost. When a separate worksheet is used to calculate the cost, attach it to the Cost Allocation Plan/Worksheet and make a notation in the "Comments" column.
COMMENTS	Note the vehicle used for the cost (Standard Lease, Std. 2, Space Use Permit, etc.)

Part B –Charges Excluded from Leases (Pooled Costs)

Part B includes pooled cost items that are covered in a Std. 2 or separate agreement and may be included by reference in the lease. Refer to the instructions in the “Part A” table to complete Part B.

Note: Equipment not meeting State criteria for “capitalized” equipment² or EDD criteria for “sensitive” equipment³, are not considered “significant costs” for negotiations.

Part C – Prohibited Pooled Costs

Part C lists pooled costs that are currently prohibited from inclusion in collocation agreements.

Part D – In-Kind Space Reciprocal Agreement (Space Use Permit/Tenant Use Permit)

Part D is completed for Space Use Permit/Tenant Use Permit collocation agreements. A space use permit is used when EDD is occupying rent-free space in a partner’s facility. A tenant use permit is used when a partner is occupying rent-free space in an EDD facility. Field Office Division Chiefs or OFPM staff may complete these permits. Space use/tenant use permits are submitted to OFPM Management for approval.

Sample Worksheet

Attached is a sample Cost Allocation Plan/Worksheet which contains fictitious cost allocation data for a One-Stop partnership. In this sample, EDD is subleasing 3,000 sq. ft. of space in the partner’s site (20,000 sq. ft.). EDD will be bringing five full-time staff with their own PCs. EDD will also be supplying five CalJobs PCs as part of the One-Stop center’s Resource Area. The partner will supply five computers and phones for client use to the Resource Area. The vender will directly bill EDD for their long distance phone call charges. EDD will pay a prorated share of the local phone charges. EDD will pay, lump sum, a prorated share for modular system furniture, site prep, and phone/data line installation in the lease. EDD will also pay a prorated share for security guard services in a separate agreement. EDD’s prorated share is based on the percentage of space that EDD is occupying in the partner’s site ($3,000 \div 20,000 = 15\%$).

² Capitalized equipment is defined as tangible property with a minimum cost of \$5,000 and a useful life of one year or greater.

³ Sensitive equipment categories include: 1) cameras – all types over \$500; 2) compact disc players – audio; 3) cellular telephones; 4) electronic copy boards; 5) projectors – all types over \$500; 6) television communication equipment – includes VCRs and players; 7) electronic data processing equipment – computers, servers, monitors, laptops, printers, fax, wordprocessors, etc.

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Appendix E

Completed By: Mary P. Manager

Date: April 1, 2000

EDD COST ALLOCATION PLAN/WORKSHEET

ADDRESS: 123 Any Street #1, Sunny, CA

PROJECT NUMBER: 9999999

AGREEMENT NUMBER: M0123456

PART A – Costs Included in Leases

COST	PAYMENT METHOD					ALLOCATION METHOD	COMMENTS
	Operating Costs	Separate Billing	Lump Sum	Amortized	N/A		
Facilities Maintenance & Operations							
Rent							
Facilities Management	2.50					% of space occupied (15%)	Paid in the lease
Janitorial*	1.35					% of space occupied (15%)	Paid in the lease
Lease Management							
Landscaping*	1.25					% of space occupied (15%)	Paid in the lease
Pest Control*	.95					% of space occupied (15%)	Paid in the lease
Power Sweeping*	.65					% of space occupied (15%)	Paid in the lease
Security Guard*		1.45				% of space occupied (15%)	Std. 2
Utilities	1.00					% of space occupied (15%)	Paid in the lease
Tenant Improvements*							
Alterations**							
Equipment install/deinstall			500.00			% of space occupied – 15%	Paid by separate invoice under lease agreement
Modular Furnishings			5000.00			% of space occupied – 15%	Paid by separate invoice under lease agreement
Voice/Data/Electrical Site Prep			1000.00			% of space occupied – 15%	Paid by separate invoice under lease agreement

* These charges can be included in a stand-alone agreement such as a Std.2.

** Federal equity may be an issue in EDD owned facilities.

FINAL DRAFT for PILOT

Appendix E

EDD COST ALLOCATION PLAN/WORKSHEET

PART B – Costs Excluded from Leases (Pooled Costs)

COST	PAYMENT METHOD					ALLOCATION METHOD	COMMENTS
	Operating Costs	Separate Billing	Lump Sum	Amortized	N/A		
Equipment* (Please list.)							
Marketing Services (Specify)							
Other Miscellaneous (Specify Expense Codes.)			SAMPLE				
Services							
Duplication – black and white							
Duplication – two color							
Phone Directory Listing							
Shipping Costs							
Supplies							
Posters							
Business Cards							
Letterhead							
Other Misc.							
Telecom							
Data Connectivity (Circuit/Data/Port)							
Install/Deinstall							
Phones							
Local – EDD Staff							
Local – Client Use	15.00					% of space occupied – 15%	Paid in the lease
Long Distance		X					Direct billing from MCI
Training							

* Equipment not meeting State criteria for “capitalized” or “sensitive” equipment, are not considered “significant costs” for negotiations. See footnotes on page E-2 for definitions of “capitalized” and “sensitive” equipment.

** Costs for phones that are designated for EDD staff, should be directly billed and allocated by number of phones. Costs for phones that are designated for client use can be allocated by sq. ft. occupied.

FINAL DRAFT for PILOT

Appendix E

EDD COST ALLOCATION PLAN/WORKSHEET

PART C – Costs Prohibited from Being Pooled

- Auto/Auto Repairs
- Bottled Water
- Entertainment
- Mail
- Postage
- Refreshments
- Shredding
- Vending Machines

PART D – In-Kind Space Reciprocal Agreement (Space Use Permit/Tenant Use Permit)

A space use permit is used when EDD is occupying rent-free space in a partner's facility. A tenant use permit is used when a partner is occupying rent-free space in an EDD facility. Field Office Division Chiefs or OFPM staff may complete these permits. Space use/tenant use permits are submitted to OFPM Management for approval.

SITE ADDRESS	
Partner Location	EDD Location
1234 Donald Duck Blvd. Disneyland, CA 99999	5678 Catchawave Avenue Surfin, CA 99999

SAMPLE

SITE SPACE/STAFFING COMPARISON		
	Partner Location	EDD Location
Rental Rate (cost/sf/month)	\$1.54	\$1.20
Operating Costs (cost/sf/month)	None (full service)	(electrical & janitorial) \$0.21
Total	\$1.54	\$1.41
Quantity Staff	25 EDD	15 partner
Square Feet Occupied*	1,875*	2,025**
Cost Value of Space Occupied	\$2,887	\$2,885

* Actual space to be occupied by EDD.

** Estimated space needed based on 100 square feet per person plus 35% circulation.

Pooled Costs Methodologies

Partnerships generally involve each partner paying its own expenses. This is the least complex form of cost sharing (non-pooled). However, as partnerships move toward program integration and seamless service delivery, cost sharing requirements become both necessary and more intricate. Appendix F provides a guide to pooled cost allocation alternatives so that partners can find an appropriate way of accumulating cost information and assuring appropriate payment for shared costs.

The information covered in this appendix enables the Department to comply with the Federal Office of Management and Budget's "Cost Principles for State, Local and Indian Tribal Governments" (OMB Circular A-87). This Circular establishes principles and standards for determining costs for Federal awards carried out through grants cost reimbursement contracts and other agreements. The concept of "cost allocation" in this circular is based on the premise that Federal programs bear an equitable proportion of shared costs based on the benefit received by each program. "Resource sharing" is the methodology through which One-Stop partner programs pay for, or fund, their equitable share of the costs. It is the Department's intent to maintain compliance as simply as possible, without imposing undue administrative burdens on EDD staff or our partners, who may be subject to additional regulations.

I. Parameters

The following parameters apply in cost pooling negotiations/implementations:

Fiscal parameters

- EDD cannot subsidize a partner's costs. In addition to paying its own direct costs, each partner must pay or offset its portion of pooled costs.
- EDD cannot deviate from existing federal, state, and local regulations. Costs that are prohibited by a funding source (federal, state, or local) may not be paid or used as offsets under a pooled cost agreement. For example, if a partner's funding source prohibits entertainment costs, the partner may not pay entertainment costs or use them as an offset under a pooled cost agreement.
- EDD prefers the use of non-pooled costs to the use of pooled costs whenever possible. The examples in this document focus on pooled costs to assist you when you are unable to use the non-pooled cost methodology.
- Contributions to pooled costs are limited to costs incurred during the period of operation, e.g., purchases made during the period of the agreement. Intrinsic values, like the value of a building that has been fully paid for, may not be included in reimbursable or offsetting cost calculations.
- Costs of capital improvements made for the benefit of the partnership or for an individual partner may be amortized during the term of the partnership.
- Square footage will be the allocation basis for space. The cost per square foot becomes a pooled cost that is a direct charge to the partners.

Personnel parameters

- Partner supervisory staff may have lead responsibility over EDD staff, to the extent of assigning and reviewing work, having input on performance issues, etc. EDD

employees will continue to have an assigned EDD supervisor that handles personnel issues, performance appraisals/evaluations, pay issues, and corrective actions.

- If a partner's labor agreements and/or policies do not prohibit their staff from being supervised by EDD personnel, EDD supervisors may direct day-to-day operations, workload distribution, breaks, and time off. The partner's supervisory staff must handle personnel issues, performance appraisals/ evaluations and disciplinary action, with consultation from the EDD on-site supervisor.

Contractual authority parameter

- EDD is not authorized to make commitments regarding facilities or to negotiate lease terms for facilities that do not fall within EDD's \$50,000 lease delegation. DGS' Real Estate Services Division conducts lease negotiations that do not fall within EDD's lease delegation. BOPSD acts as the EDD liaison to DGS.

Operations parameters

- Equipment is purchased and owned by individual partners in order to avoid inventory control/audit issues arising from joint ownership.
- State and Federal permit postage may not be shared among programs or used as offsets. Commercial meter postage may be shared if an accounting system is established.

II. Operational Planning

The cost pooling process begins with partnership operational planning. The planning includes such considerations as who the partners are, what services (programs) will be delivered, how service delivery will be organized, what resources the partners will contribute, etc. Operational planning for partnerships varies due to partners and local service needs. As partnerships advance beyond simple collocation, there are a continuum of various levels of integrated service delivery and information sharing consistent with Department policy.

It is important that service delivery—not cost accounting—drive operational planning. However, cost accounting considerations must be part of the planning process. Federal funding sources and management require costs to be accumulated in an organizational structure to control budgets, measure the efficiency of operations and report financial information.

The link between operational planning and cost accounting is the organization of service delivery. A cost accounting system accumulates costs at the organizational levels required by management and federal funding sources. To establish this link, a common definition of organizational terms is necessary. It is important that the same terms for cost accounting be used for partnerships across the state to facilitate communication of financial information.

Program

A grant, appropriation, or other designated fund whose activities—including costs—must be accumulated and reported to the funding sources. For example, Food Stamp E&T, JOBS, Wagner-Peyser 90%, JTPA Titles, etc.

Cost Center

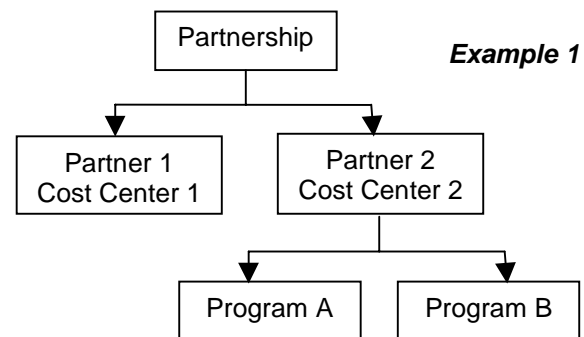
A commonly accepted business term used to indicate a pool, center, or area established for the accumulation of cost(s), such as organizational units, functions, objects or items of expense, as well as ultimate cost objectives, including specific titles, cost categories, grant/awards, program activities, projects, contract, and/or other activities. (Note: this definition differs from EDD's use of the term Cost Center.)

Cost Pool

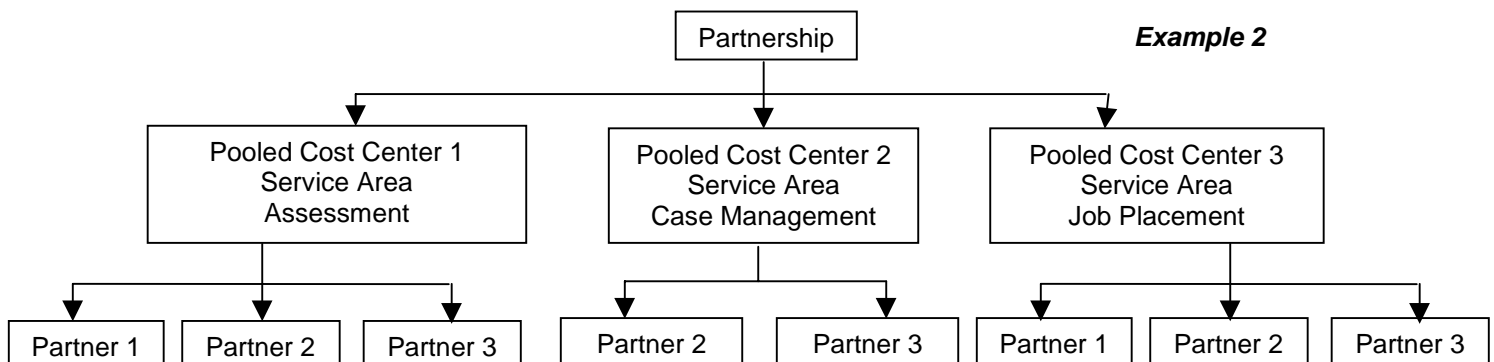
An accounting structure to accumulate costs pending distribution by allocation to benefiting cost centers and/or programs.

Planning Examples

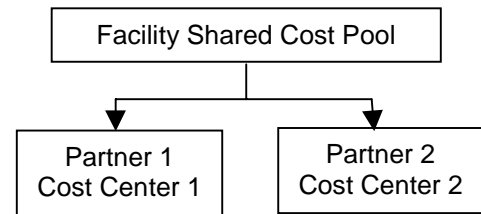
- Two partners plan to share a facility only, retaining control over their own program(s) and resources. The operators of each partner would be a cost center. The cost for each to operate at the site would be reported to their respective fund sources. Furthermore, one of the partners provides two different funded program services. That collocated partner will account for and report the individual costs for each program.



- Three partners, operating one program each, plan to integrate service delivery by forming three service areas: Assessment, Case Management, and Job Placement. The partners want to know what it costs to operate each service area. For cost accounting purposes, each area becomes a pooled cost center.

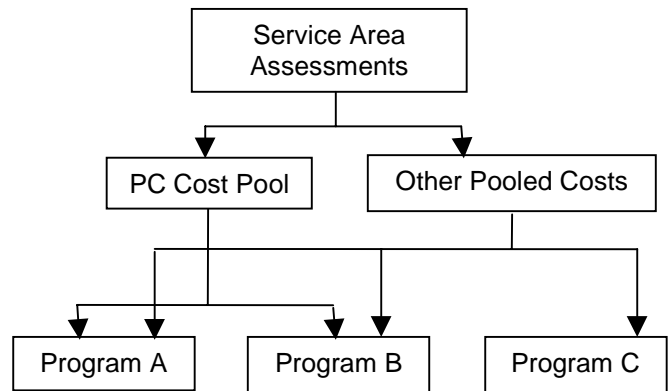


3. All cost centers, collocated and service areas, need to have facility costs allocated to them so that the full cost of providing the services is known. To accomplish this, a facility cost pool is created in which all facility shared costs are recorded pending distribution by an allocation method.



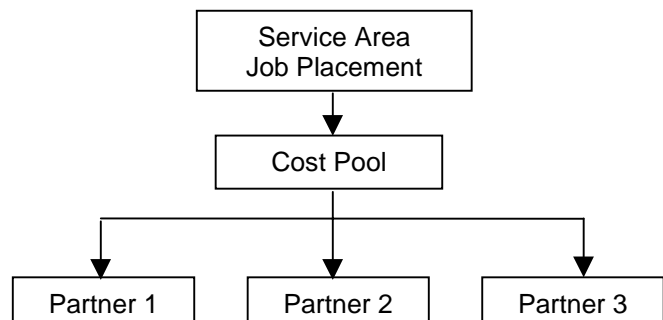
Example 3

4. Two of the three programs within the Assessment service area utilize a PC-based assessment tool that is set up on four computers for customer use. The third program receives no benefit from this system. A cost pool must be created to isolate the cost of the computers so they will be allocated only to the benefiting programs.



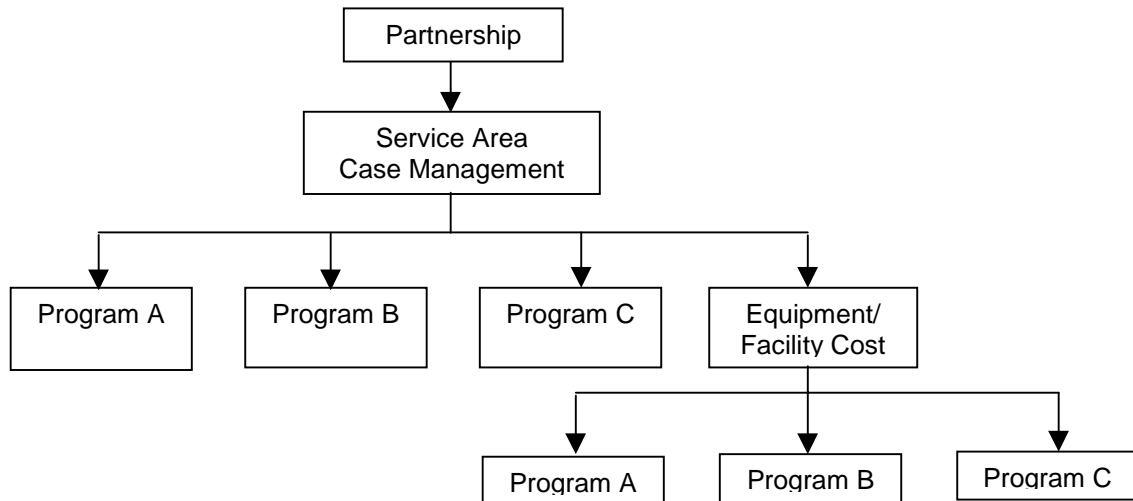
Example 4

5. All of the costs of the Job Placement service area are to be shared equitably by an allocation process. In this case, the cost center for reporting the partnership's job placement costs is also a cost pool for accumulating costs pending allocation to benefiting programs.



Example 5

6. The collocated cost center for Case Management contains costs to support customers in training which are directly charged to the providing program. The Case Management training equipment costs and facility cost pool allocations to the Case Management cost center make up a cost pool within the cost center which will be allocated to benefiting programs.



Example 6

III. Cost allocation

Cost allocation is the process of assigning costs accumulated in cost pools to benefiting entities/programs. In a partnership environment, this is challenging because of the multiple funded entities and multiple funding streams. EDD's main authoritative source concerning cost allocation of partnerships is OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments. The Circular established principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements. Partners may be subject to other Circulars. The Circular provides four major requirements for a cost to be allocable.

- "A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received."
- "All activities which benefit from the governmental unit's direct costs...will receive an appropriate allocation of indirect costs."
- "Any cost allocable to a particular federal award or cost objective under the principles provided for in this Circular may not be charged to other Federal awards to overcome fund deficiencies, to avoid restriction imposed by law or term of the Federal awards, or for other reasons. However, this prohibition would not preclude

governmental units from shifting costs that are allowable under two or more awards in accordance with existing program agreements.”

- “Where an accumulation of indirect costs will ultimately result in charges to a Federal award, a cost allocation plan will be required...”

The basic process follows these steps.

Step 1 – Classify Costs

Costs are classified into two categories—pooled (shared costs) and non-pooled (costs directly related to one program).

Step 2 – Pool Costs

Pooled costs are further sorted into types of pools, based on how they will be allocated to the benefiting programs. Similar allocable costs should be pooled to simplify the allocation process. In cost pooling, the time and expense to isolate a cost and allocate by usage may cost more than the benefits derived from the process, e.g., telephone charges. In this case the cost should be combined and allocated with other costs in a consolidated larger pool. Types of cost pools are:

Facility Cost Pool

A cost pool may be broad enough to benefit all collocated programs and integrated service cost centers. An example would be a pool where rent, utilities, janitorial, phone, and other facility overhead costs would be recorded.

Categorical Cost Pools

Some cost pools may contain only specific costs (telephone line charges) or type of costs (copier maintenance agreement, copy paper, toner, copier repair) because the benefits from the cost require special allocation methods due to unequal use or benefit across programs or cost centers. Examples may be computer information sharing, copier costs, telephone, etc.

Normally, a collocated partner will operate its own accounting system with its own cost pools and allocation methods. Note that a single One-Stop center may combine more than one type of cost pool. The partners must also decide the level of cost allocation within the pool. Cost items may be allocated individually or all cost items in the pool can be totaled and the total allocated. The decision will depend on the level of budget control required and program reporting requirements.

Step 3 – Select Allocation Base(s)

Once you have pooled those costs to be shared among partners, a basis of allocation must be agreed upon that is fair to benefiting programs, measurable, consistent, and supported by ongoing data collection. Different pools may be allocated by different bases. For example, rent could be allocated based on square footage occupied, data line charges could be based on number of PCs used, and client phone charges could be based on number of clients served. The following discusses various cost allocation base options and the pros and cons of their use:

1. Work Area Base

Fits facility wide costs such as rent, utilities and janitorial very well. Assumes programs or service area cost centers benefit from those costs in proportion to the work area (square feet), and, in some cases, usage. Other costs that benefit all occupants of the facility, such as copier maintenance, telephone, etc., may also be allocated using this basis. This assumes a correlation between square feet allotted to a partner and number of staff benefiting from those costs.

Pros: Reliable, consistent, easy to calculate, easy to budget, easy to use.

Cons: Cannot be used for all costs.

2. Time Distribution Base

Can be used to allocate any cost where partners benefit from costs in proportion to the staff time worked on them. To use this process, there must be a documented time distribution system. With a time distribution system, costs flow to the area of work emphasis that normally correlates to funding. This system works well with budget because it creates a cost per position relation for expenditures.

Pros: Reliable, good budget control, well-accepted cost allocation standard, provides abundant management information.

Cons: Requires a time distribution system; not all partners may be willing to record time. With multiple agencies employing staff, time collection would be cumbersome without automation. With many projects, recording time correctly may be a problem.

3. Usage Base

Equipment costs, such as copiers, computers, telephone, etc., may be used disproportionately by some programs and require allocation methods other than work area or time. This would require some usage logs, such as number of copies or long distance phone calls made. This could be time consuming and expensive for one item of cost like copier maintenance and supplies. A decision must be made whether the gains in fair distribution of costs, from this more precise allocation, would be material enough to support the extra expense of collecting information and distributing the costs.

Pros: Precise for categorical costs.

Cons: Can be cumbersome and expensive to manage.

4. Program Output Base

This process uses production figures and unit costs (e.g., placements, customers trained, assessments, etc.) to allocate costs of integrated service area cost centers to partners. It is based on the assumption that the cost to produce an output across programs is correlated to the results. The Technical Assistance Guide (TAG) Sharing Resources to Provide Integrated Services, developed by the U. S. Department of Labor (USDOL) goes into this process in great detail.

Pros: USDOL supported for pilots under the TAG. In absence of all partners having a time distribution process, this may fill that vacuum.

Cons: Availability and reliability of valid program output measures; are factors other than input effort an influence on output levels; difficulty of budgetary control; necessity of conducting time study to weight output measures; difficulty of obtaining approval from all funding entities, and difficulty of obtaining cost per output. (Also see *Cons* for “Participants Served” below.)

Because of the complexity of this allocation base, its use by EDD is not recommended.

5. Participants Served Base

This base uses a point-in-time snapshot of the number of active participants served at the site by each partner’s program. It is based on the assumption that the number of participants correlates to the benefits derived by each partner. Depending on the partnership structure, one participant receiving services from more than one partner may be counted more than once.

Pros: It is a reliable reflection of benefit derived and can be used for a large pool of costs.

Cons: May not be the best measure for some costs, such as facility. There is potential liability for unexpected partner costs when partners do not achieve projected performance levels. Requires common partner participant counting method, and on-site accounting system for participant tracking, monthly billing, and collection. Will work best with agreements longer than one year where sufficient time exists to adjust for current year, and recover for previous year, deficiencies.

The use of this allocation base is not precluded, but unresolved issues make its immediate use very difficult. Some of the examples that follow use Participants Served as the basis of allocation when other options are not appropriate.

IV. CALCULATING PARTNER'S ESTIMATED SHARE OF POOLED COSTS

Once you have selected the allocation base(s), you are ready to estimate each partner's share of pooled costs. The following example illustrates cost estimates based on square footage for pooled facility costs and number of projected participants for pooled equipment costs.

Assumptions:

- The partnership will not be a separate employer, and will have no funds of its own. All staff, including the office manager, intake workers, and receptionist, will be employees of one or another of the partners. Also, all purchases made or services ordered for this site, will be paid for by individual partners.
- One partner compiles all the fiscal records, and each partner pays their own bills.
- One of the partners already leases a suitable building. Utilities are included in the lease. The other two partners will move staff and some furniture and equipment to this site.
- The partners have pooled costs for the lease and janitorial services. They have allocated these costs among themselves based on square footage occupied.

EXAMPLE

Facility Pool		
Janitorial Service	\$	21,600
Rent (including utilities)	\$	20,000
	\$	41,600

EXAMPLE

Allocation Base - Facility Pool				
	Square Feet		Percent	Planned Share of Annual Costs
Partner 1	625	625/2500	25%	\$ 10,400
Partner 2	875	875/2500	35%	\$ 14,560
Partner 3	<u>1000</u>	1000/2500	40%	<u>\$ 16,640</u>
Total	2500			\$ 41,600

If you are pooling only facility costs, you should focus on the facility pool examples when reading the subsequent examples.

Continuing with the example, the remaining costs will be allocated based on projected participants.

Assumptions:

- The partner who leases the building has a telephone system in place.
- In addition to equipment brought by the partners, the partnership will need a high volume copier (and supplies and maintenance contract), a fax machine (and supplies), four desks, four chairs, four new computer terminals, and connections to the Health and Human Services Data Center.
- The phone system and all the new equipment and furniture will benefit all partners and will be part of a cost pool.
- Issues such as copier replacement and marginal costs for compatibility in phone systems are not addressed.

EXAMPLE

<u>Equipment</u>		
Copier (including maintenance)	\$	25,000
FAX	\$	1,400
Furniture	\$	2,400
Terminals	\$	14,000
HHSDC Charges	\$	10,000
Telephones	\$	1,000
	\$	53,800

Projected Participants:

- Project the number of participants for each program.
- Calculate each partner's percentage of total projected participants.
- Calculate each partner's share of cost based on percentage.

FINAL DRAFT for PILOT

Appendix F

For planning purposes, the partners are using historical data to estimate the number of participants who will be served.

EXAMPLE

Allocation Basis - Equipment Pool				
	Expected Participants		Percent	Planned Share of Annual Costs
Partner 1	400	400/2000	20%	\$ 10,760
Partner 2	600	600/2000	30%	\$ 16,140
Partner 3	<u>1000</u>	1000/2000	50%	<u>\$ 26,900</u>
	2000			\$ 53,800

Adding the results of the two charts together gives the total each partner plans to pay or contribute as its share of pooled costs.

EXAMPLE

				Total
Partner 1	Facility Pool	\$	10,400	
	Equipment Pool	\$	10,760	
	Total			\$ 21,160
Partner 2	Facility Pool	\$	14,560	
	Equipment Pool	\$	16,140	
	Total			\$ 30,700
Partner 3	Facility Pool	\$	16,640	
	Equipment Pool	\$	26,900	
	Total			\$ 43,540
Grand Total				\$ 95,400

V. ESTABLISHING PAYMENT AGREEMENTS

You've determined what costs will be pooled and the share for each partner. Now you will determine 1) who will pay the bills and 2) how each partner will pay its share of pooled costs. (At this point in the process there are no actual bills to pay. This step prepares the partners for handling bills when they arrive.)

- 1) The decision about who pays the bills should be related to each partner's proportionate share of the pooled costs. Whatever option is adopted will result in use of staff time that benefits all partners and should be allocated to all partners. Options include, but are not limited to:
 - One partner acts as fiscal agent to pay bills and maintain related records.
 - One partner maintains records and each partner pays designated bills.
 - Each partner pays designated bills and maintains related records.
 - One partner maintains records and some of the partners pay all of the bills.
 - Some of the partners pay all of the bills and maintain related records.
 - Partners hire an outside organization to act as fiscal agent to maintain records and pay bills.
- 2) In addition to determining who pays the bills, you should decide how the bills will be paid. There are two methods by which partners can pay; actual exchange of money or cost offsets. These two methods may be combined.

Continuing with the example from Section IV, the pooled costs for the lease and janitorial services (the "facility pool") total \$41,600. The remaining pooled costs (the "equipment pool") total \$53,800. This partnership hopes to minimize the payment of cash among the partners, and has worked out the following plan for offsetting costs.

Example of Offsetting Partner Contributions

Partner	Contribution	Cost	Total
1	FAX	\$ 1,400	\$ 21,160
	Furniture (4 new desks/chairs)	\$ 2,400	
	Terminals	\$ 14,000	
	Telephones	\$ 1,000	
	Reimbursable Contracts	\$ 2,360	
2	Copier (includes maintenance)	\$ 25,000	\$ 30,700
	Reimbursable Contracts	\$ 5,700	
3	Janitor Service	\$ 21,600	\$ 43,540
	Rent (includes utilities)	\$ 20,000	
	HHSDC Charges	\$ 10,000	
	Reimbursement from Partners	\$ (8,060)	
Total			\$ 95,400

It is critical that each partner's estimated and actual shares of pooled costs, contributions, and related calculations be documented and attached to the written

agreement. These data form the audit trail. Actual costs and numbers of participants served must be reviewed at least quarterly. Changes to reimbursement arrangements may be needed due to unexpected variations in costs or in the percentage of participants served. (Refer to Sections VI through IX.)

VI. INFORMATION ACCUMULATION AND REPORTING

As a result of the preceding steps, you now have estimates of the pooled costs and the percentage each partner will pay. At this point you must establish reporting systems to capture actual data for the basis of allocation you selected, and actual expenditures.

Operations Support Division will develop reporting formats for tracking and reporting pooled costs and make them available to field office managers as necessary. The reports may look like the charts used in the examples.

This section illustrates accumulation and reporting for those costs allocated based on participants served. Data from multiple accounting systems may need to be merged to display the partnership's financial information. Annual cost and projected participant data are continued from Section IV.

Note: For purposes of this example, the square footage occupied by each partner does not change during the reporting period, and the facility related costs exactly match the estimate. The resulting cost record appears as the first chart in Section IV.

A. Record the number of participants served by each partner.

- (Step 1) Calculate the number of projected participants this month. For the purposes of this example, projected annual participants are divided by 12. In practice, the number of projected participants may vary from month to month.
- (Step 2) Record the actual number of participants served this month by each partner.
- (Step 3) Calculate the percentage of participants served by each partner.

EXAMPLE

Partner	Projected Annual Participants	Projected Participants This Month Step 1	Actual Participants this Month Step 2	Step 3	Percent of Total
1	400	33	20	20/188	11%
2	600	50	65	65/188	34%
3	1000	83	103	103/188	55%
Total	2000	167	188		100%

B. Record actual expenditures

Assumptions:

- The partners that purchased equipment show the entire cost of each item in their own financial records during the first month, but the partnership is expensing the equipment cost over a 12-month period.
- The partner who bought the terminals got a small discount, which was deducted from the total cost of the terminals before the monthly actual expenditure was recorded in Step 5.

(Step 4) Determine the projected monthly expenditure for each cost in the equipment, e.g., divide projected annual cost by 12.

(Step 5) Record the actual expenditure for the month.

EXAMPLE

Pooled Item	Annual Cost	Monthly Projected Expenditure Step 4	Actual Expenditure this Month Step 5
Equipment			
Copier (incl. maintenance)	\$ 25,000	\$ 2,083	\$ 2,083
FAX	\$ 1,400	\$ 117	\$ 117
Furniture	\$ 2,400	\$ 200	\$ 250
Terminals	\$ 14,000	\$ 1,167	\$ 1,000
HHSDC Charges	\$ 10,000	\$ 833	\$ 800
Telephones	\$ 1,000	\$ 83	\$ 85
	\$ 53,800	\$ 4,483	\$ 4,335

Using these operating reports, costs can be allocated and analyzed, and reports prepared for the benefiting agencies. Examples of financial reports that could be requested are:

1. Individual partner costs
 - Satellite location costs
 - Costs for an entire Local Workforce Investment Board (LWIB) area
 - Statewide costs
2. Within LWIB areas (when they are established):
 - LWIBs may want to be able to compare costs of operations of different career centers.
 - Across LWIB areas:
 - LWIBs may want to compare costs of operations for career centers across the state.
3. By individual programs or funding streams.
 - By service area (intake, assessment, case management, etc.) across and within program lines.
 - By required program cost categories.
4. Management may want costs by a variety of cost categories, such as rents, utilities, supplies, training costs, etc.
5. Management may want to merge cost data with program outputs to measure efficiency as well as effectiveness of operations. This could take the form of cost per output and/or time to produce outputs.

VII. PAYING POOLED COSTS BASED ON ANALYSIS OF DATA

At the conclusion of each month partners should review actual data for the base(s) of allocation selected in Section III, Step 3, and apply the result to actual expenditures. This is done because the allocation base that was selected determines each partner's share of the pooled costs.

Because each partner's square footage has not changed during the reporting period, actual costs are the same as estimated costs for the facility pool, as illustrated in the following chart.

EXAMPLE

Partner	Projected annual facility costs	Projected facility costs this month	Actual facility costs this month
1	\$ 10,400	\$ 867	\$ 867
2	\$ 14,560	\$ 1,213	\$ 1,213
3	\$ 16,640	\$ 1,387	\$ 1,387
Total	\$ 41,600	\$ 3,467	\$ 3,467

The next chart applies each partner's percentage of participants served to the actual expenditures in the equipment pool.

EXAMPLE

Partner	Actual Participants this Month	Percent of Total	Share of equipment based on actual participants served
1	20	11%	\$ 477
2	65	34%	\$ 1,474
3	103	55%	\$ 2,384
Total	188	100%	\$ 4,335

Combining information from the two charts above yields each partner's share of actual costs for the reporting period.

EXAMPLE

			Total
Partner 1	Facility Pool	\$ 867	
	Equipment Pool	\$ 477	
	Total		\$ 1,344
Partner 2	Facility Pool	\$ 1,213	
	Equipment Pool	\$ 1,474	
	Total		\$ 2,687
Partner 3	Facility Pool	\$ 1,387	
	Equipment Pool	\$ 2,384	
	Total		\$ 3,771
Grand Total			\$ 7,802

The actual bills are paid based on agreements reached regarding reimbursements and offsets.

VIII. BUDGET CONTROL AND ADJUSTMENT

Making adjustments is simpler at the collocation end of the continuum and becomes more complex as services are integrated. Currently federal regulations do not provide for a “range of tolerance” (flexibility). Each partner is accountable for paying costs based on its share of benefit derived. In our example, Partner #1 projected serving 20 percent of the participants; since the actual numbers indicate 11 percent, Partner #1 pays 11 percent of the expenditures in the equipment pool. Partner #3 projected serving 50 percent, and the actual numbers indicate 55 percent; Partner #3 pays 55 percent of the expenditures in the equipment pool.

Monthly monitoring of operating reports will allow the partners to see when actual benefits derived and/or actual expenditures vary from their projections. Financial and/or service plans must be adjusted accordingly. As actual expenditures are made, offset plans also must be monitored and adjusted so that partners do not owe each other money at the conclusion of the partnership agreement. Adjustments should be done no less than quarterly, more frequently if the variances are large.

Variances must be resolved during the term of the partnership agreement or prior to project closeout.

IX. FINANCIAL MANAGEMENT CONSIDERATIONS

Following are some considerations for financial management of a partnership.

1. Timing of cost information is an important factor. Allocated costs will always be one month later and for some complex integration scenarios, possibly two months. Partners reviewing fund status need to be aware of unrecorded obligations and budget for payment. This could affect the normal closing process for some entities. Some programs will have to extend their standard schedules. All partners need to be aware of this in advance.
2. Change in program delivery mix is another important consideration. Programs may be added or program effort changed during a year for a variety of reasons, including new partners, reduction of funding, plant closures, economic downturns, trade act certifications, rapid response activity, etc. If a change substantially affects space allocation or integrated service delivery, cost sharing agreements must be amended. (See number 5 below.)
3. Agencies have methods to control costs to funded programs, frequently by service units (e.g., full-time equivalent positions) budgeted. In an integrated service unit whose goal is to provide service based on customer flow, that flow may not equate to the funding made available by each agency. In other words, an agency may plan to provide one third of all pooled costs but be charged for half of the equipment costs by year end because half of the customer demand was for its program services. **This could be a problem if the program does not have sufficient funds to pay the extra costs.** Of course, a program may also be charged less than it planned to pay.
4. The allocation method adopted for integrated service centers will affect budget control. If time distribution is utilized, control may be exercised up-front by restricting service provided to budgeted units. If program outputs are used, it is suggested that quarterly review (monthly may be necessary) should be performed, with adjustments in service emphasis to bring charges into line.
5. Partners must be aware of the affect a partnership allocation process will have on their financial records. In some arrangements, a partner will be paying costs that will not be its true costs after allocation. They may need to establish temporary pools for recording these costs. Furthermore, the allocation charges will not be in the detail a partner may be accustomed to in its financial reports. The allocation process may combine some costs depending on the partnership agreement.
6. Partners receiving actual allocations of costs above budgeted levels may not be able to fund the overage. For this reason, budget versus actual costs should be reviewed, at a minimum, quarterly and monthly if possible. Partners should be prepared to amend or correct service plans that are materially out of line. Materiality will depend on the total budget for each partner and its ability to absorb cost overages.

X. *Glossary of Terms*

Collocated Services	Services that are provided in a single location but identified with individual partners. For example, a customer would be directed to the EDD section of the office for placement, the community college section for vocational assessment, and a community-based organization's section for workshops.
Collocation	A situation in which a single facility is occupied by more than one service provider, or in which more than one service provider has a presence.
Cost Allocation	The premise that Federal programs bear an equitable proportion of shared costs based the benefit received by each program.
Cost Center	A commonly accepted business term used to indicate a pool, center, or area established for the accumulation of cost(s), such as organizational units, functions, objects or items of expense, as well as ultimate cost objectives, including specific titles, cost categories, grant/awards, program activities, projects, contract, and/or other activities. (Note: This definition differs from EDD's use of the term Cost Center.)
Cost Pool	<p>An accounting structure to accumulate costs pending distribution by allocation to benefiting cost centers and/or programs.</p> <p>Facility Cost Pool: A pool where rent, utilities, janitorial, phone and other facility overhead costs would be recorded.</p> <p>Categorical Cost Pool: Cost pools that contain only specific costs (telephone line charges) or type of costs (copier maintenance agreement, copy paper, toner, copier repair) because the benefits from the cost require special allocation methods due to unequal use or benefit across programs or cost centers. Examples may be computer information sharing, copier costs, telephone, etc.</p> <p>Organization Cost Pool: Expenditures that benefit only parts of a partnership. Examples are one integrated service area cost center as a pool for all the programs in that cost center, or a pool for a sub-set of the programs within an integrated service area cost center.</p> <p>Collocated Cost Center Cost Pool: Normally, a collocated partner will operate its own accounting system with its own cost pools and allocation methods.</p>

Integrated Services	The merging of participating local One-Stop center partners' programs and services into a consolidated local service delivery system, at least as far as the customer is concerned. For example, having partner agencies specialize in the delivery of particular functions as part of integrated local service delivery—one partner runs the assessment center, another runs the employment resource center.
Multiple Funding Streams	More than one funding source with more than one set of governing standards.
Non-Pooled Costs	Costs that benefit and are directly recorded to one program. Common examples are training costs, supportive services and salaries paid by the benefiting program. A cost may be non-pooled in some circumstances and pooled in others.
Partnership	Collaboration among service providers that results in coordinated services to a community.
Pooled costs	Shared costs, such as rent, utilities, and phone, which cannot be readily assigned because they benefit multiple programs, service areas, or funding sources. These accumulated costs are periodically (monthly or quarterly) allocated based on an agreed upon measure of benefit (time distribution, square footage, number of participants, etc.).
Program	A grant, appropriation, or other designated fund whose activities, including costs, must be accumulated and reported to the funding sources. For example, Food Stamp E&T, JOBS, Wagner-Peyser 90%, JTPA Titles, etc.
Range of tolerance	Degree of acceptable flexibility or discrepancy between projected costs and actual costs. (Current federal regulations do not provide for a "range of tolerance".)
Resource sharing	The methodology through which One-Stop partner programs pay for, or fund, their equitable share of costs.
Variance	Degree of difference, divergence or discrepancy between the actual costs and the expected or projected costs.

Government Policies

Bottled Water

(Can be accessed at <http://sam.dgs.ca.gov>)

According to SAM Section 3612 (see below), the State will not pay for bottled water unless the building's water is unfit for human consumption. For this reason bottled water cannot be included in shared costs or be paid for using a PSA. State employees have to buy their own water.

Section 3612 of the State Administrative Manual (SAM) states:

WATER, BOTTLED DRINKING 3612 (Revised 6/80)

Building codes or health ordinances in most localities require that a building owner provide occupants a convenient source of good drinking water. It is the policy of the State to provide adequate facilities for cold drinking water from fountains connected to the building water supply. When an agency enters into or renews a lease, the lessor should, if possible, be required to provide adequate cold drinking water facilities at no cost to the State. Before entering into or renewing a lease, agencies will determine the fitness or palatability of available drinking water facilities.

Bottled drinking water may be purchased by the agency where it has been determined that the building water supply is not fit for human consumption or where the cost of connecting a drinking fountain to the building water supply renders it impractical. No other purchases of bottled drinking water will be made. See SAM Section 3571.2.

Where the building drinking water supply in existing State occupancies is so tepid as to render it unpalatable, consideration will be given to agency requests for the purchase of water coolers. Rental expense for water coolers is not authorized except in certain field conditions where potable water is not available.

Shredding requirements

(Can be accessed at <http://sam.dgs.ca.gov>)

Section 1693 of the State Administrative Manual (SAM) states:

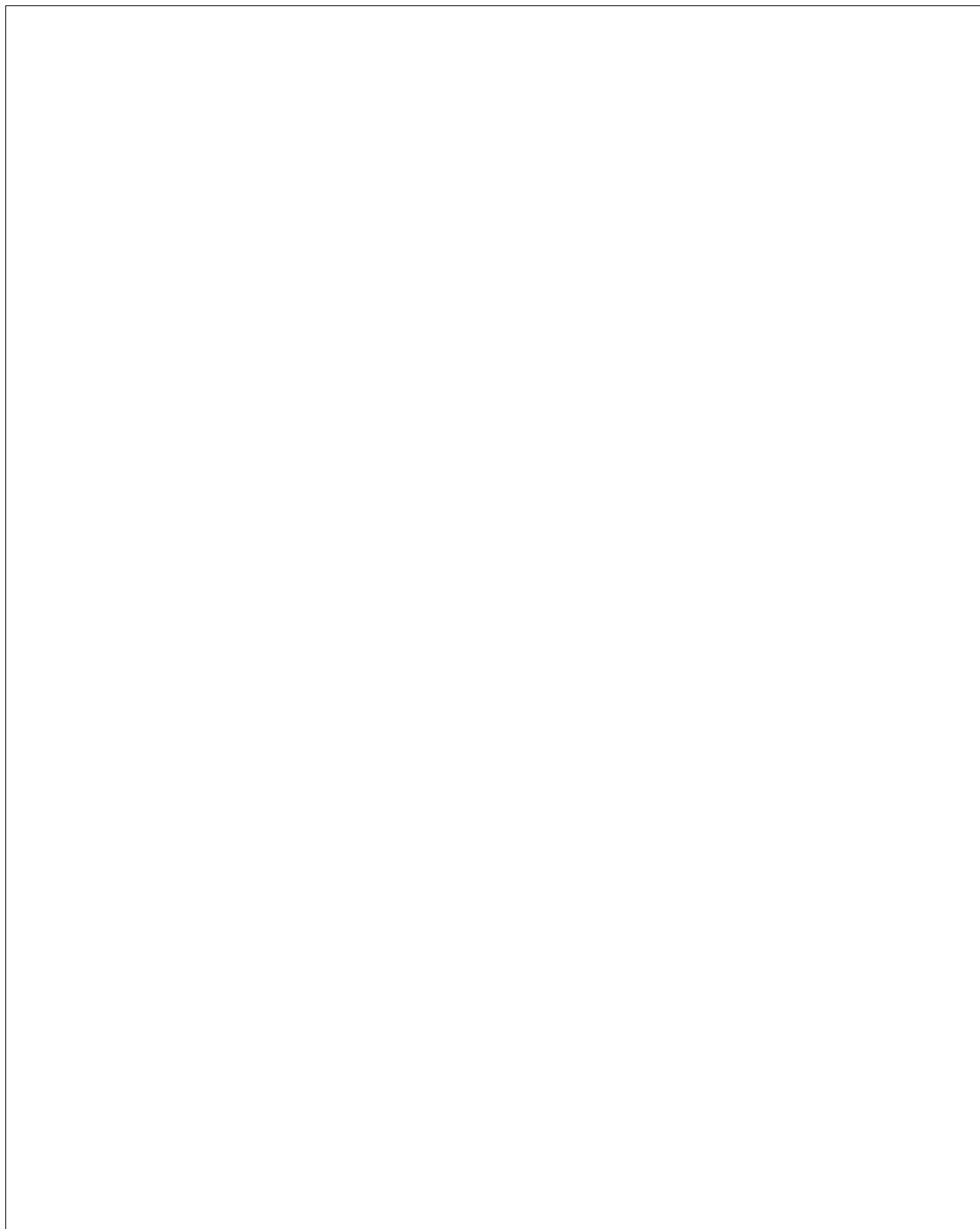
“DESTRUCTION OF CONFIDENTIAL RECORDS 1693 (Revised 3/96)

Agencies Must Send A State Employee To Witness Confidential Destruction When Using The Services Of Private Contractors.

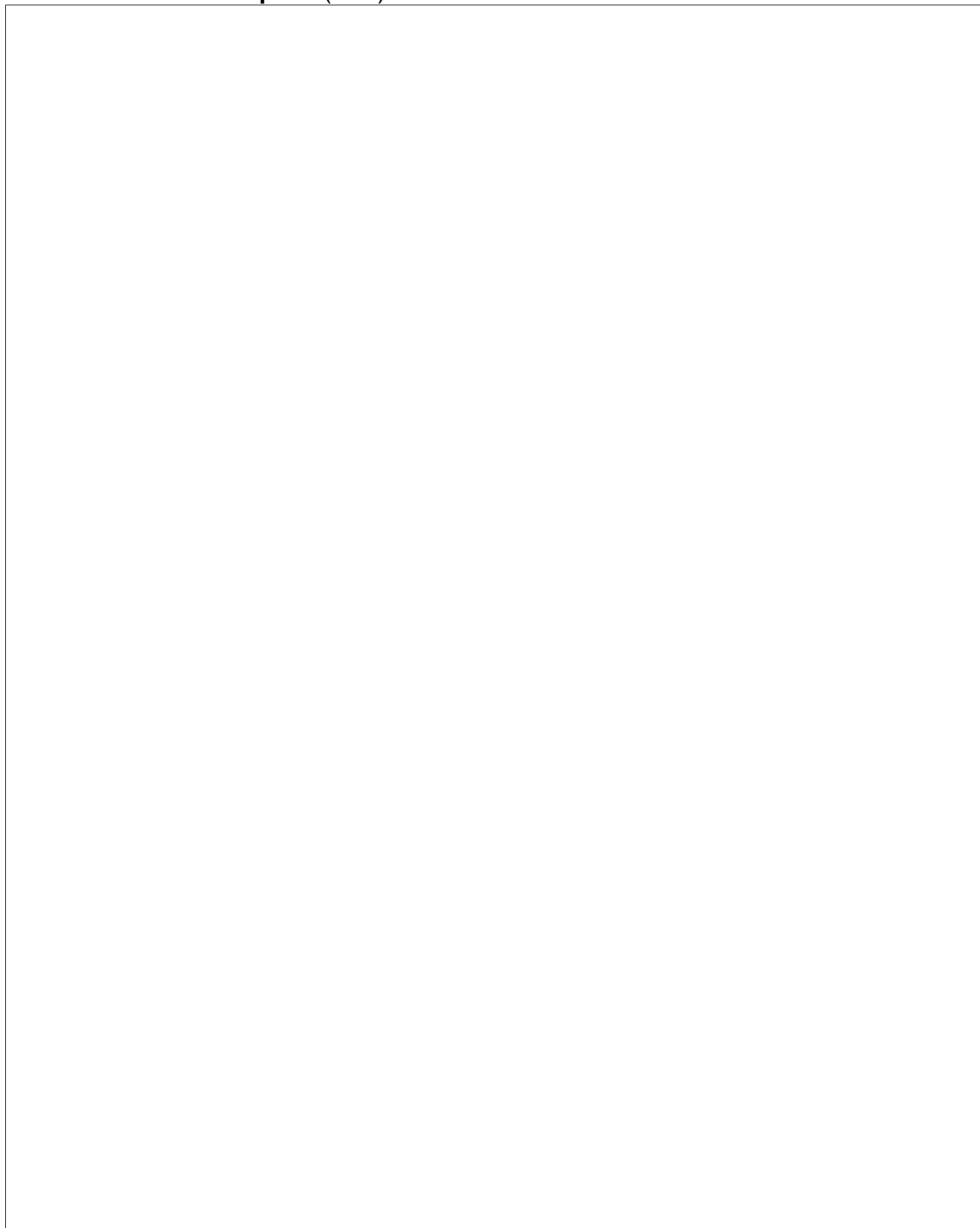
In Sacramento, State Destruction Center staff will be used to witness the destruction of confidential records. If an agency needs to destroy accountable forms, arrangements must be made with the State Destruction Center to ensure witnessing by appropriate agency personnel.”

Forms

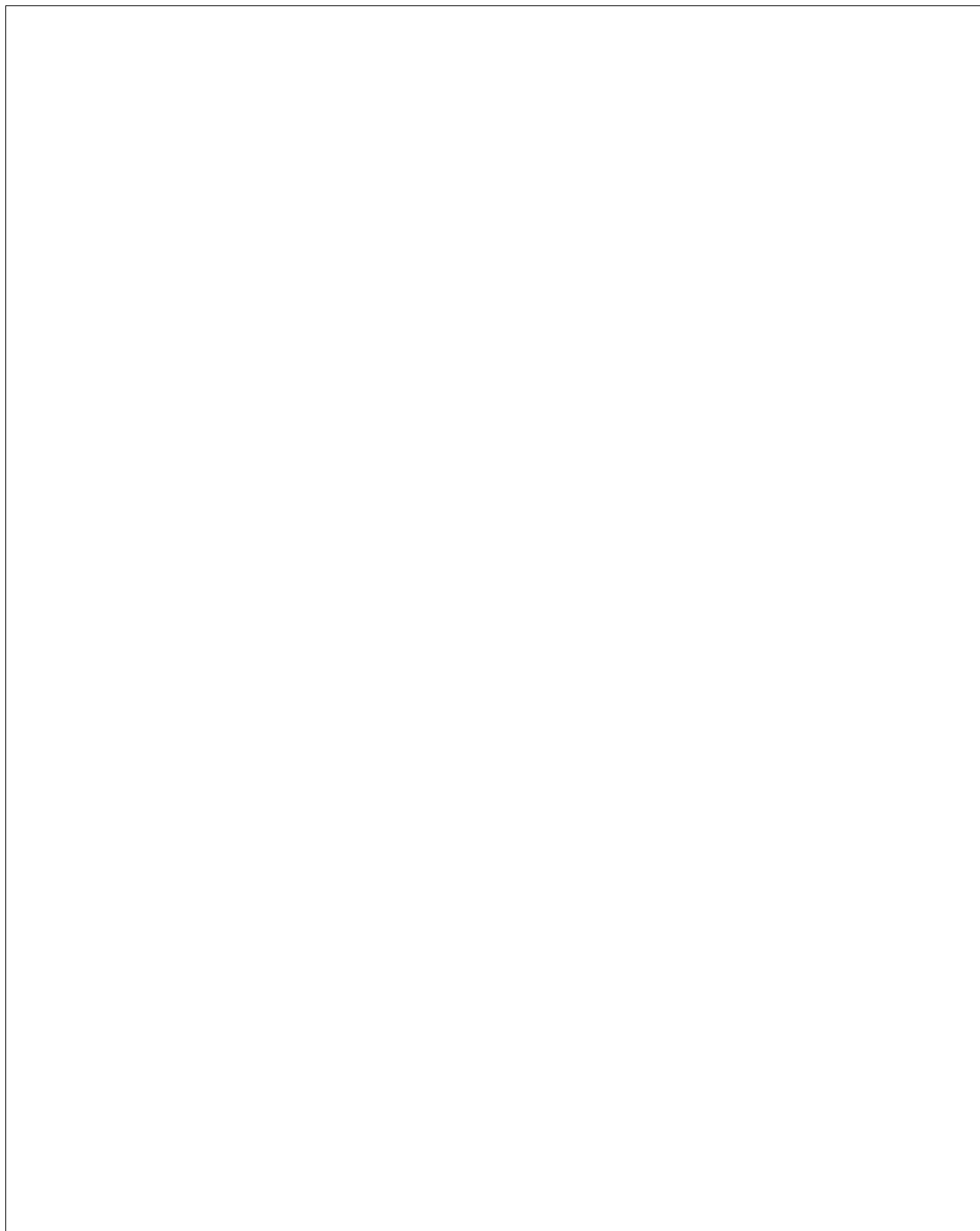
Form 9 Lease Request

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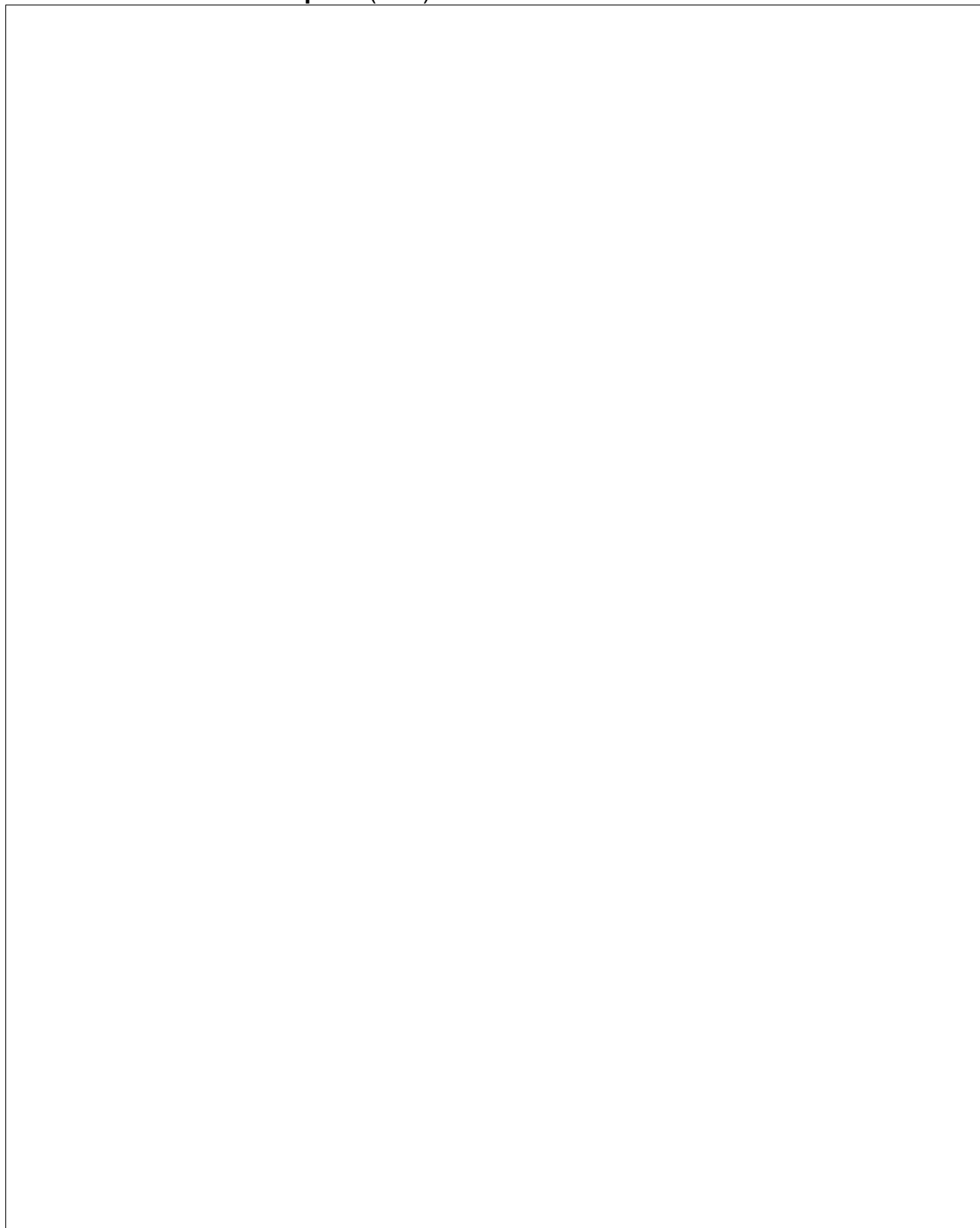
Form 9 Lease Request (cont)

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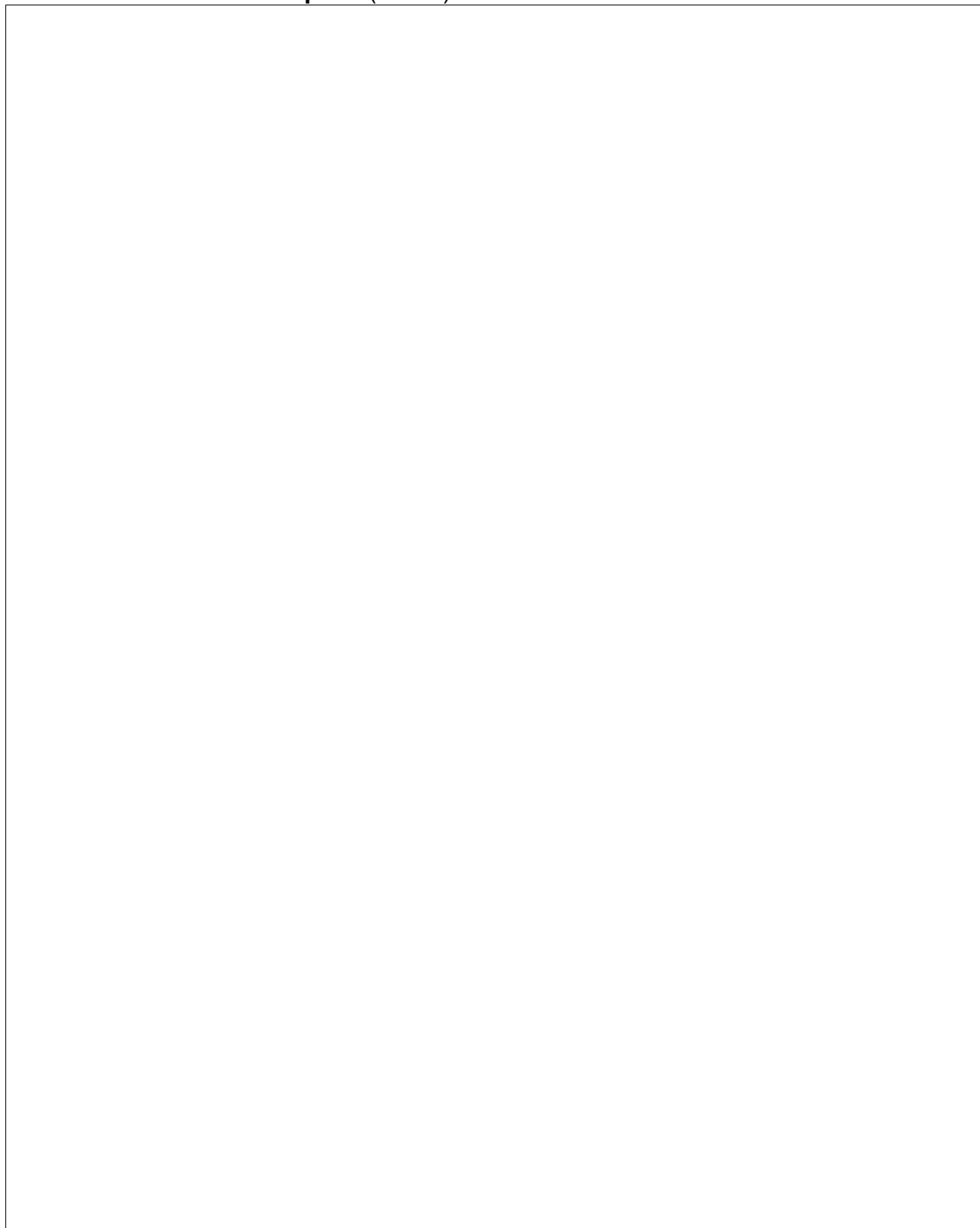
DE 7409 Contract Request



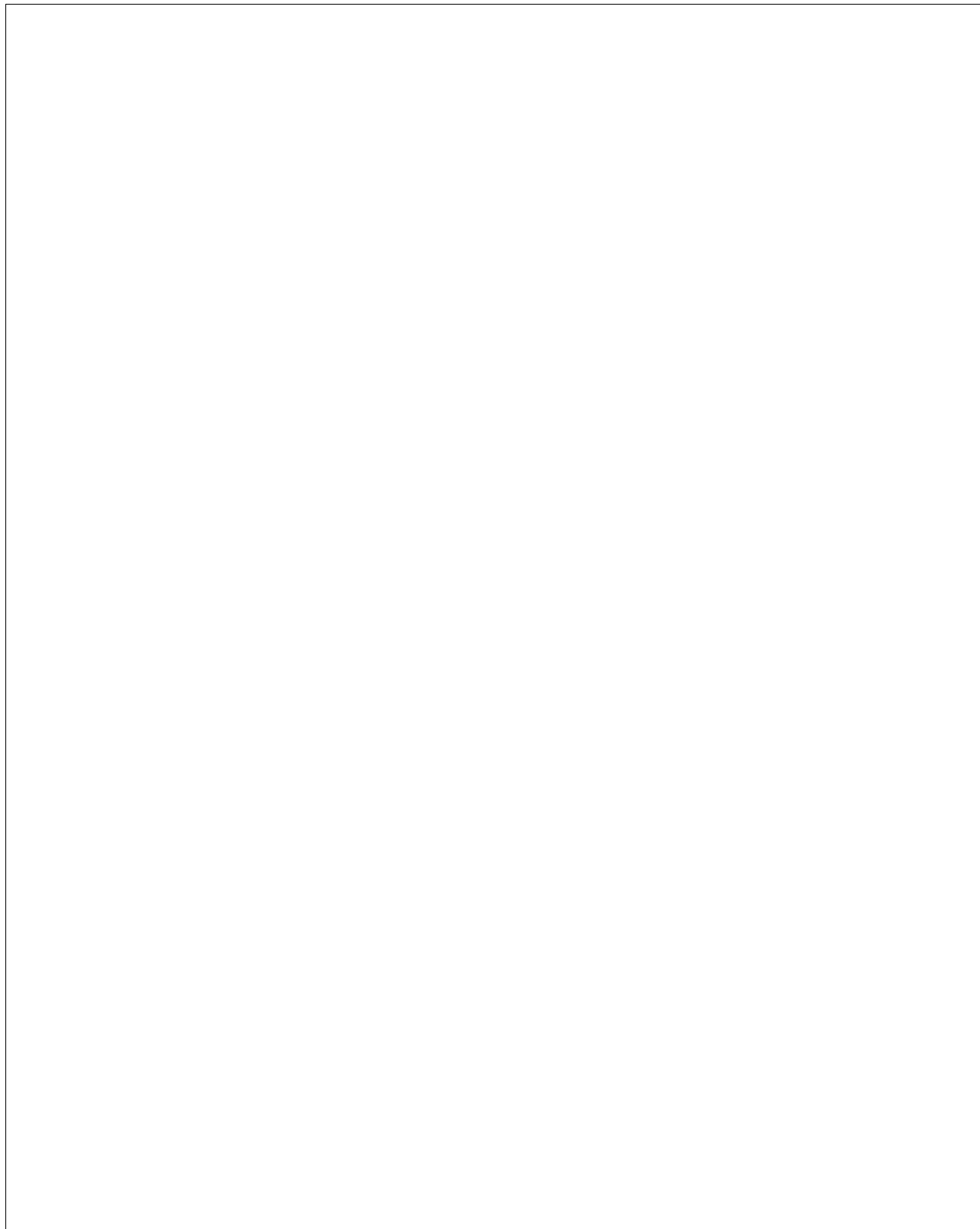
DE 7409 Contract Request (cont)

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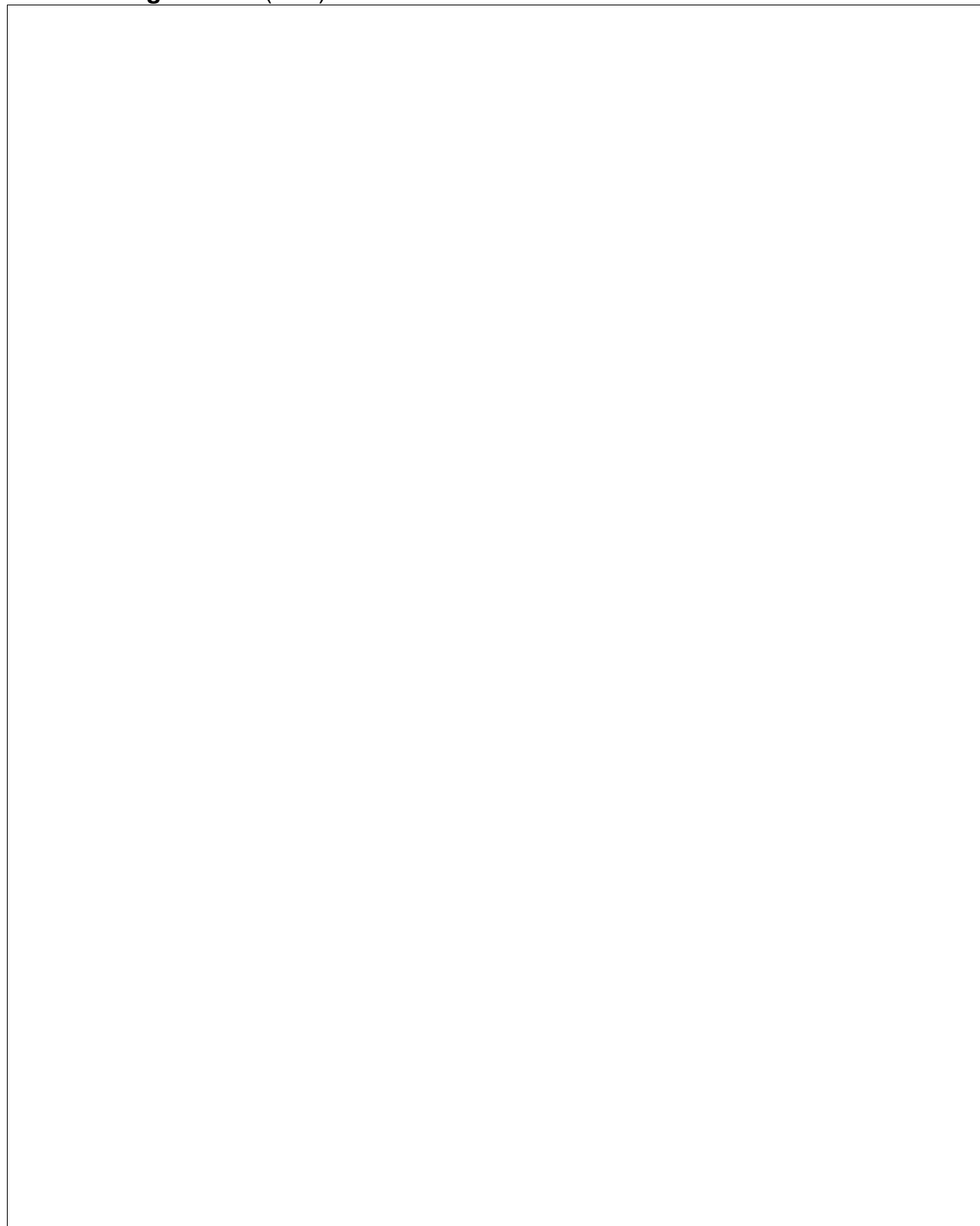
DE 7409 Contract Request (cont.1)

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Std. 2 Agreement

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Std. 2 Agreement (cont)

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FINAL DRAFT for PILOT

Appendix H

One-Stop Keysheet

ONE STOP KEY SHEET

EDD Office _____ Partner _____ Prepared by _____ Date _____
 Address _____ Address _____ Phone No. _____
 _____ Phone Co. _____ EDD Form 20 # _____
 Cost Center: _____ Area Code: _____ Contact/Phone: _____ Telephone System: _____ **Total \$-Mo./1Time:** _____

No.	Name	STA ID	Phone Number	FEATURES								Telephone Model	\$ Cost/ Monthly	\$ Cost/ One Time	Comments
				Hunt		CPU	CFV	CFB	CFNA	VM/ S/B	Forward To:				
1															
2															
3															
4															
5															
6															
7															
8															
9															
10															
11															
12															
13															
14															
15															

Moves, Adds, and Changes shall be performed by the Partner vendor and will be charged at the rate of \$ _____ per labor hour.

NOTE: Monthly pricing includes, instrument, dial tone, programming, maintenance, voicemail, and shared trunk cost. EDD staff lines shall restrict 900,976, 3rd party, and international calls. The Partner shall bill the Department (EDD) monthly in arrears for the actual long distance and toll charges incurred by the EDD staff using the Partner system. Long distance and toll charges shall be itemized by station number in a monthly cost accounting report, and included with the invoice.

FINAL DRAFT for PILOT

Appendix H

Cost Allocation Worksheet

Completed By: _____

Date: _____

EDD COST ALLOCATION PLAN/WORKSHEET

ADDRESS: _____

PROJECT NUMBER: _____

AGREEMENT NUMBER: _____

PART A – Costs Included in Leases

COST	PAYMENT METHOD					ALLOCATION METHOD	COMMENTS
	Operating Costs	Separate Billing	Lump Sum	Amortized	N/A		
Facilities Maintenance & Operations							
Rent							
Facilities Management							
Janitorial*							
Lease Management							
Landscaping*							
Pest Control*							
Power Sweeping*							
Security Guard*							
Utilities							
Tenant Improvements*							
Alterations**							
Equipment install/deinstall							
Modular Furnishings							
Voice/Data/ Electrical Site Prep							

* These charges can be included in a stand-alone agreement such as a Std.2.

** Federal equity may be an issue in EDD owned facilities.

FINAL DRAFT for PILOT

Appendix H

EDD COST ALLOCATION PLAN/WORKSHEET

PART B – Costs Excluded from Leases (Pooled Costs)

COST	PAYMENT METHOD					ALLOCATION METHOD	COMMENTS
	Operating Costs	Separate Billing	Lump Sum	Amortized	N/A		
Equipment* (Please list.)							
Marketing Services (Specify)							
Other Miscellaneous (Specify Expense Codes.)							
Services							
Duplication – black and white							
Duplication – two color							
Phone Directory Listing							
Shipping Costs							
Supplies							
Posters							
Business Cards							
Letterhead							
Other Misc.							
Telecom							
Data Connectivity (Circuit/Data/Port)							
Install/Deinstall							
Phones							
Local – EDD Staff							
Local – Client Use							
Long Distance							
Training							

* Equipment not meeting State criteria for “capitalized” or “sensitive” equipment, are not considered “significant costs” for negotiations. See footnotes on page E-2 for definitions of “capitalized” and “sensitive” equipment.

** Costs for phones that are designated for EDD staff, should be directly billed and allocated by number of phones. Costs for phones that are designated for client use can be allocated by sq. ft. occupied.